



## Supporting entrepreneurship & farming in rural Rwanda

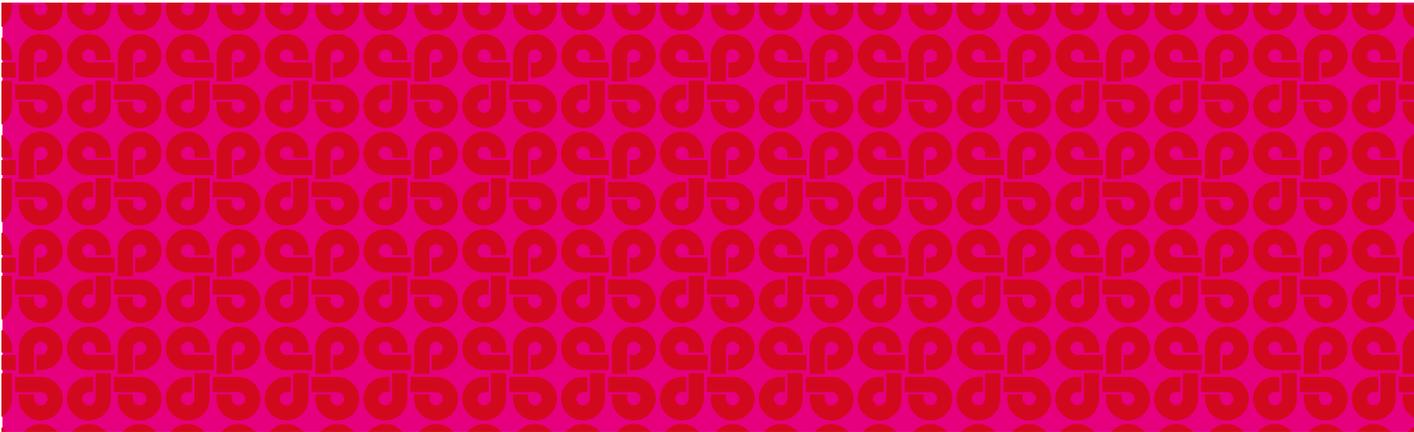
Focus on the MFI Inkunga in Rwanda

Unaudited semi-annual report as at 30 September 2022

*Rapport semestriel non révisé au 30 septembre 2022*



Luxembourg Microfinance  
and Development Fund



In collaboration with



THE GOVERNMENT  
OF THE GRAND DUCHY OF LUXEMBOURG  
Ministry of Finance

LUXEMBOURG  
AID & DEVELOPMENT



Subscriptions for shares issued by the Fund may only be accepted on the basis of the current Prospectus accompanied by the latest annual report and the latest semi-annual report, if more recent. Such documents can be obtained free of charge at the registered office of the Fund or downloaded from the website [www.lmdf.lu](http://www.lmdf.lu).

The information presented in this report refers only to the necessary information concerning Investing for Development SICAV and its compartment Luxembourg Microfinance and Development Fund (LMDF), the compartment Forestry and Climate Change Fund (FCCF) is not included in this report.

**ISIN Codes / Codes ISIN**

**Class C shares: LU0456967404**

**Class B shares: LU0456966935**

LMDF obtained the:



LMDF rated "A" by:



LMDF is included in:



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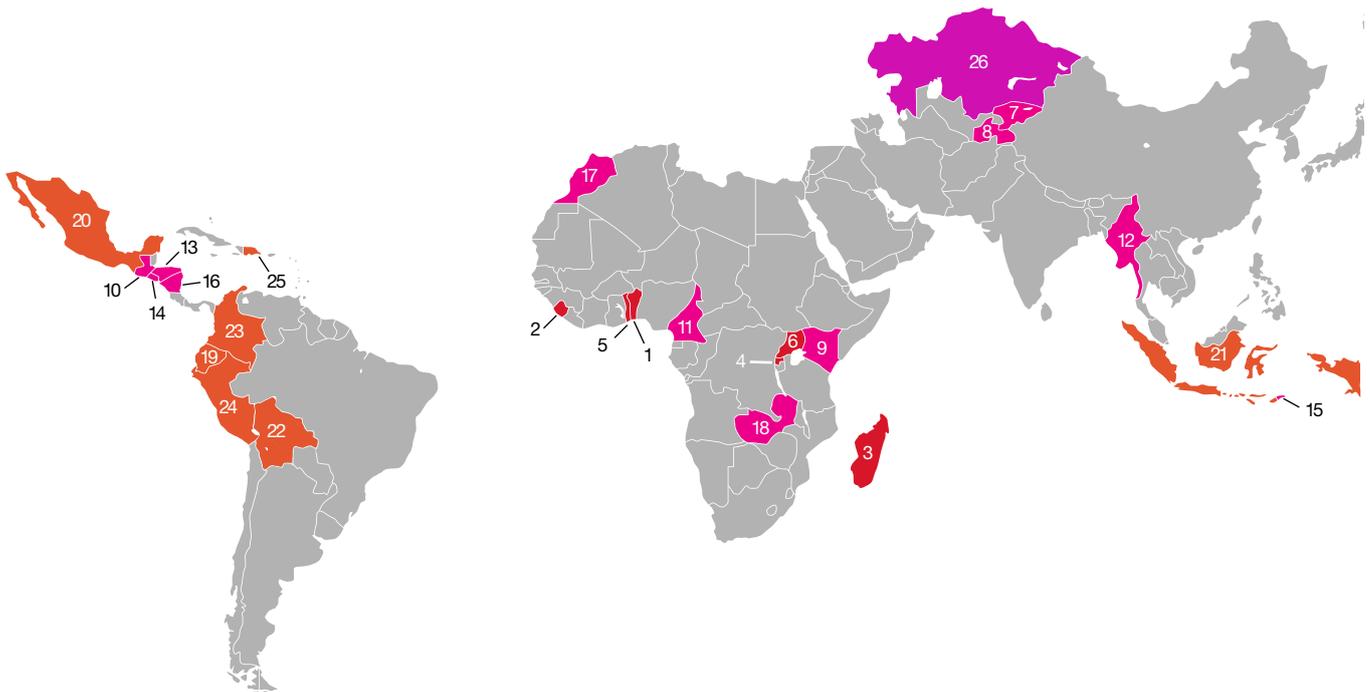
## LMDF in figures // en chiffres

30 September 2022 // 30 septembre 2022

<b>EUR 45.8 million</b> Investments in microfinance	<b>62%</b> Women
<b>48</b> Microfinance institutions financed directly	<b>17,707</b> Employees of partner MFIs
<b>4.4%</b> Investments in Microfinance Plus in % of NAV	<b>79,759</b> Micro-entrepreneurs financed by LMDF
<b>27</b> Countries	<b>8.3%</b> Investments in Tier 3 MFIs in % of portfolio
<b>1</b> Service provider	<b>55%</b> Micro-loans for services and small trade
<b>43%</b> Latin America	<b>24%</b> Agricultural activities
<b>22%</b> Sub-Saharan and North Africa	<b>7%</b> Production and crafts
<b>35%</b> Southeast and Central Asia	<b>14%</b> Other uses
<b>&lt;1%</b> Developed countries	<b>EUR 934,171</b> Average exposure per MFI
<b>62%</b> Financing in local currency of MFI country	<b>1.4%</b> Twelve month return Class A shares
<b>EUR 3.0 million</b> Micro-entrepreneurs financed by partner MFIs	<b>1.4%</b> Twelve month return Class A <sub>bis</sub> shares
<b>EUR 1.3 billion</b> Total micro-loan portfolio of partner MFIs	<b>2.4%</b> Twelve month return Class B shares
<b>EUR 1,592</b> Average micro-loan	<b>1.4%</b> Twelve month return Class C shares

Note: The figures stated in this section of the report relating to information received from microfinance institutions are as at 30 June 2022 and largely based on unaudited information. The calculations follow, wherever applicable, the Microfinance Investment Vehicles Disclosure Guidelines as published by CGAP in 2010.

## LMDF's impact map



### Low HDI

- 1 Benin
- 2 Sierra Leone
- 3 Madagascar
- 4 Rwanda
- 5 Togo
- 6 Uganda

### Medium HDI

- 7 Kyrgyz Republic
- 8 Tajikistan
- 9 Kenya
- 10 Guatemala
- 11 Cameroon
- 12 Myanmar
- 13 Honduras
- 14 El Salvador
- 15 East-Timor
- 16 Nicaragua
- 17 Morocco
- 18 Zambia

### High HDI

- 19 Ecuador
- 20 Mexico
- 21 Indonesia
- 22 Bolivia
- 23 Colombia
- 24 Peru
- 25 Dominican Republic

### Very high HDI

- 26 Kazakhstan

Source: LMDF analysis, UNDP

Note: This map does not include investments in our hedging service provider for microfinance industry.

# Report of the Board of Directors



We finally seem to see the end of the tunnel regarding the impact that COVID\* has had on the microfinance institutions (MFIs) in our portfolio, with now minimal exposure to losses. We have completed 10 transactions totaling EUR 8.5m and our portfolio has grown to a size of EUR 45.8m, a growth of 18% during the last six months.

In February 2022, the Board of Directors selected BIL Manage Invest S.A. as external manager of Alternative Fund Manager to take over the management of the SICAV. Since then, we have been working to formalise the external management and adapt our procedures to this new phase for the Fund. This work should be concluded soon.

The Fund continues to grow despite the volatile context we are in. The crisis in the Ukraine has spillover effects with geopolitical tensions having a substantial humanitarian impact. Monitored closely, it seems that the Central Asian sector is unlikely to suffer a significant negative impact. Despite this global tensions, the credit risks did not lead to significant additional provisions during the reporting period.

These times reaffirm the need for the Fund's investments in emerging microfinance institutions. The Fund has a strong pipeline of transactions and anticipates that 2022/23 will be a similarly busy year for the Investment Committee. The Fund will also continue to develop its focus on innovative "Microfinance Plus" models in the three thematic areas of small asset finance, agricultural value chain and financing for quality education.

The environment also highlights the need for social responsibility. The Fund is categorised as an "Article 9 Fund" under the Sustainable Finance Disclosure Regulation and holds sustainability as a core objective. With these objectives in mind, it is important to note that the Fund now reaches over 79,700 microentrepreneurs with 60% of investments in low and medium HDI countries.

Our shareholders have enabled us to have this significant outreach, and we are pleased to have seen our assets increase by 12.7% over the reporting period. This growth has also come with a solid financial performance with Class C shares showing a 1.4% return in value during the last twelve months and a return of 2.4% for Class B shares.

## Corporate governance

The **Board of Directors** has selected and retained ADA (Appui au Développement Autonome a.s.b.l.) as the investment adviser to LMDF, to provide the services of identification, evaluation and selection of investment and disinvestment opportunities as well as the review, supervision and monitoring of its microfinance investments.

The Board has established the following committees whose role is to support and make recommendations to the Board, or take decisions within certain limits determined by the Board, in their areas of activity:

- The **Investment Committee**, which currently has eight members, is authorised, within the limits of the investment policy and objectives of the sub-Fund as defined by the Board of



Directors, to decide upon the acquisition or disposal of investments on the basis of a proposal by the Investment Adviser, and to take all other decisions relating to the management of the sub-Fund's portfolio.

- The **Risk Committee**, which has four members, provides direction, advice and oversight with regard to LMD's risk management and reporting framework, including risk policies, processes and controls.
- The **Marketing Committee**, which has four members, oversees the Fund's marketing strategy including the development of the shareholder base.
- The **Employment Committee**, which has three members, reviews the objectives, performance and remuneration of management.
- The **Appointments Committee**, which has two members, assists the Board in ensuring that its composition is aligned with the objectives of the Fund.

The Board has resolved that membership of the above Committees may be open to non-directors. The members of the Board do not receive any remuneration as directors, apart from the reimbursement of expenses

incurred for Fund business and approved in advance by the Board.

Gordon B. Hinckley once said: "People are looking for stability in a shaky world. They want something they can get hold of that's firm and sure and an anchor in the midst of all of this instability in which they're living".

We look forward to working with our shareholders to support MFIs in this time when financing for the poor is sorely needed. As always, we thank you for your unconditional support.

The Board of Directors  
30 November 2022

Raymond Schadeck  
Chairman

<sup>1</sup> COVID refers to Severe acute respiratory syndrome coronavirus 2. It is also referred to as COVID-19, SARS-CoV-2 Virus or Coronavirus in this report.



## Vision

LMDF aims to contribute to the alleviation of poverty by supporting organisations that empower people and stimulate entrepreneurship, with a particular focus on the most excluded. The Fund facilitates access to responsible finance by building sustainable links between investors, microfinance institutions and ultimate beneficiaries.

## Mission

### In order to realise its Vision, LMDF

- Constitutes an attractive investment proposition by balancing stable financial returns to investors with the provision of responsible financial services to the poor.
- Specialises in facilitating the growth of promising emerging microfinance institutions which address the financial needs of marginalised communities and individuals in developing countries.
- Enables the development of micro-entrepreneurs in areas where unmet needs are largest, particularly among women, youth and rural populations.
- Is accessible to public, institutional and retail investors; is accountable for reaching both social and financial objectives; and is transparent in its reporting.

## Résumé / Zusammenfassung

Le Fonds présente ses activités pour la période close le 30 septembre 2022. Dans un contexte très volatil, le Fonds a poursuivi une forte origination d'investissements dans la lignée de l'exercice précédent. Le Fonds a déboursé de nouveaux prêts à hauteur de 8,5 millions d'euros à des institutions de microfinance (IMF) en 10 transactions au cours des six derniers mois.

Le total des actifs nets de LMDF est passé de 46,3 millions d'euros à 52,2 millions d'euros (+13%). Au cours des douze derniers mois, la valeur nette d'inventaire par action de Classe C a augmenté de 1,4% et de 2,4% par action de Classe B, une légère augmentation par rapport aux rendements de la fin d'année précédente. Cette performance dépasse largement les rendements nets de 0,8% des fonds de dette de microfinance libellés en euros (Symbiotics SMX Euro Index).

Le Conseil d'administration du Fonds a encouragé l'équipe de direction à conduire le développement de Microfinance Plus en tant qu'innovation stratégique clé. A la fin de l'année, l'exposition du fonds à ces domaines représentait 4,4% de l'actif net total, une baisse due à la maturité finale du financement de M-KOPA, un financeur pour des installations solaires en forte croissance au Kenya.

Les risques de crédit encourus par le Fonds n'ont pas entraîné de provisions supplémentaires significatives au cours de la période.

Le portefeuille total d'investissements en microfinance est passé de 38,9 millions d'euros fin mars 2022 à 45,8 millions d'euros fin septembre 2022, soit une croissance de 18% au cours des six derniers mois. Pour cette raison, et en raison de l'affaiblissement de l'euro par rapport au dollar américain (entraînant des sorties de liquidités sur les positions dérivées du Fonds), le Fonds a pu maintenir sa liquidité stable malgré une souscription de 5 millions d'euros.

Notre travail ne serait pas possible sans le soutien et la fidélité de nos actionnaires. Nous aimerions profiter de cette occasion pour exprimer nos sincères remerciements.

*Der Fonds präsentiert seine Aktivitäten für den am 30. September 2022 endenden Zeitraum. In einem sehr volatilen Umfeld setzte der Fonds seine Investitionstätigkeit fort im Einklang mit dem vorigen Geschäftsjahr. Der Fonds hat in den letzten sechs Monaten in 10 Transaktionen neue Kredite in Höhe von 8,5 Millionen Euro an Mikrofinanzinstitute (MFIs) ausgezahlt.*

*Das gesamte Nettovermögen von LMDF stieg von 46,3 Millionen Euro auf 52,2 Millionen Euro (+13 %). In den letzten zwölf Monaten ist der Nettoinventarwert je Anteil der Klasse C um 1,4 % und je Anteil der Klasse B um 2,4 % gestiegen, ein leichter Anstieg im Vergleich zu früheren Jahresrenditen. Diese Performance übertrifft die 0,8 % Nettorendite von auf Euro lautenden Mikrofinanz-Fremdkapitalfonds (Symbiotics SMX Euro Index) bei weitem.*

*Der Verwaltungsrat des Fonds hat das Managementteam ermutigt, die Entwicklung des Bereichs „Mikrofinanz Plus“ als wichtige strategische Innovation voranzutreiben. Zum Jahresende machte das Engagement des Fonds in diesen Bereichen 4,4 % des gesamten Nettovermögens aus, ein Rückgang durch die Endfälligkeit der Finanzierung an M-KOPA, einem schnell wachsenden Finanzierer von Solaranlagen in Kenia.*

*Die vom Fonds eingegangenen Kreditrisiken führten im Berichtszeitraum nicht zu wesentlichen zusätzlichen Rückstellungen.*

*Das gesamte Mikrofinanz-Anlageportfolio stieg von 38,9 Millionen Euro Ende März 2022 auf 45,8 Millionen Euro, was einem Wachstum von 18 % in den letzten sechs Monaten entspricht. Aus diesem Grund und aufgrund der Abschwächung des Euro gegenüber dem US-Dollar (was zu Mittelabflüssen aus den Derivatepositionen des Fonds führte) war der Fonds in der Lage seine Liquidität stabil zu halten, trotz einer Zeichnung von EUR 5 Millionen.*

*Unsere Arbeit wäre ohne die Unterstützung und Loyalität unserer Aktionäre nicht möglich. Wir möchten diese Gelegenheit nutzen, um unseren aufrichtigen Dank auszusprechen.*

# Management report on activities



The Luxembourg Microfinance and Development Fund (LMDF or Fund) reports on its activities during the financial period which started on 1 April 2022 and ended on 30 September 2022.

## **/ Strong investment activities**

In a very volatile context, the Fund continued a strong investment origination in line with the previous financial year. The Fund disbursed EUR 8.5 million in new loans to microfinance institutions (MFIs) in 10 transactions during the last six months. This compares to 25 investments made during the entire previous financial year.

The Fund made some large transactions, for example to the MFI Arnur, Kazakhstan (EUR 2.5m, please refer specifically to the risk report on the exposure to this MFI). But overall, LMDF remained focused on its mission to finance small Tier 2s and emerging Tier 3s. Including the larger transactions, the average exposure per MFI amounts to EUR 934k, very substantially below the USD 2.8m average investee exposure of microfinance debt funds (according to the 2021 TAMEO PAIF survey).

The total microfinance investment portfolio grew to EUR 45.8m from EUR 38.9m end of March 2022, a growth of 18% during the last six months.

As a result of the investment activity and the weakening of the Euro against the U.S. Dollar (leading to cash outflows on the Fund's derivative positions) the Fund was able to manage liquidity from the inflow of a large subscription received beginning of April 2022. Graph 2 illustrates the current excess liquidity of the Fund (the non-invested assets above the 10% minimum liquid assets defined in the Fund's Prospectus) which is below EUR 6m.

Remaining uncertainties have reduced over the reporting period with the war in Ukraine unlikely to have a significant negative impact on the sector in Central Asia. The remaining exposures of invested MFIs to Covid-19 related losses are minor. The Board considers these uncertainties to not pose fundamental challenges to the Fund's strategy during this financial year.

## **/ Development of the "Microfinance Plus" strategy**

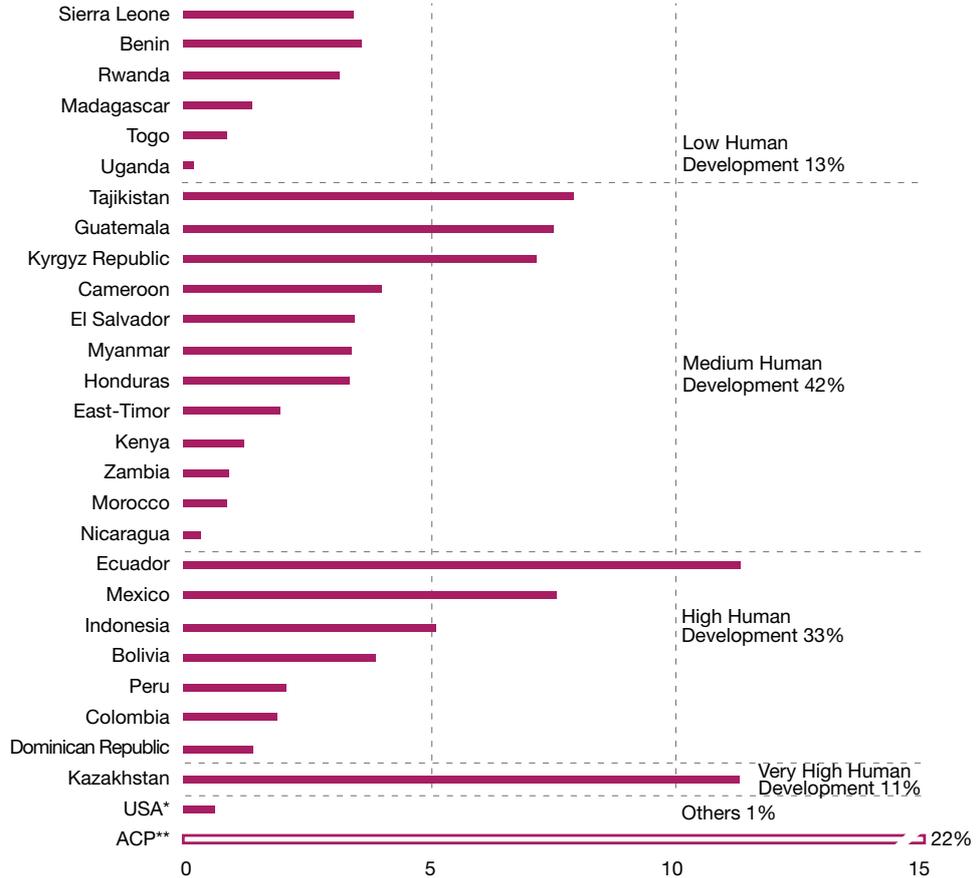
The "Microfinance Plus" strategy adopted by the Board of Directors is focused on innovative microfinance models. During the reporting period, the Fund's investment in the Kenyan company M-KOPA, providing pay-as-you-go financing to households for offgrid energy matured. M-KOPA has evolved significantly since LMDF first invested in 2020 and is now attracting large financing amounts. The Fund's role as a financier of emerging MFI is now no longer pertinent and the financing was not renewed.

Therefore, the Fund's exposure to MFI+ reduced from 8.5% of net assets end of March 2022 to 4.4% end of September 2022 while the Fund continues to actively look for MFI+ models and expects to see new transactions in the future.

## **/ Financial performance in a challenging context**

LMDF's total net assets increased from EUR 46.3m to EUR 52.2m (+13%). The Fund's financial key performance indicators have remained stable with the important exception of the rising interest rate difference between Euro and U.S. Dollar rates (Graph 8) which leads to an increase in hedging costs. The Fund's operating costs during the reporting period decreased slightly to 2.6% total expense ratio (compared to 2.7% during the previous financial year).

GRAPH 1:  
MICROFINANCE INVESTMENTS BY COUNTRY AND HUMAN DEVELOPMENT INDEX  
(% of microfinance portfolio)

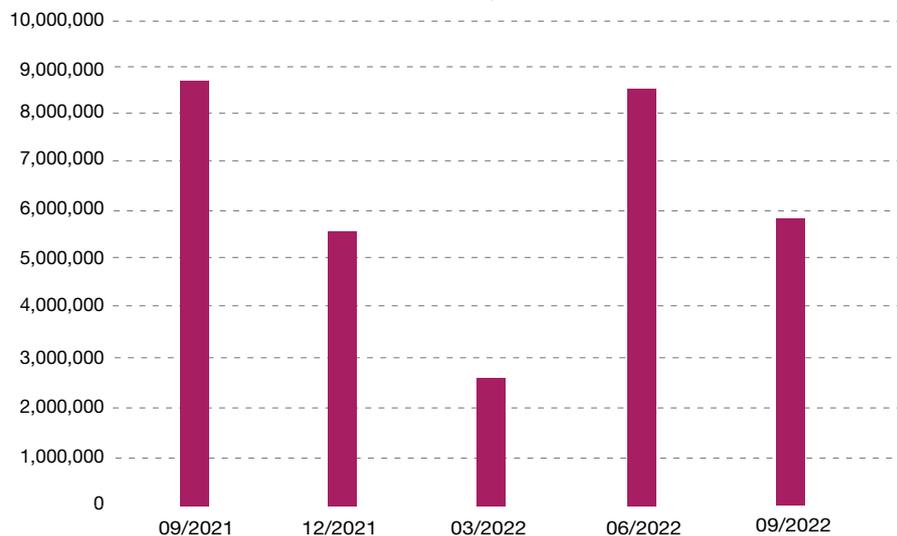


\* Investment in regional fund vehicle and hedging service provider for microfinance industry.

\*\*ACP Countries: African, Caribbean and Pacific Group of States.

Source: LMDF analysis as at 30/09/2022. Human Development Index 2020 by UNDP.

GRAPH 2:  
CAPITAL AVAILABLE FOR INVESTMENT (in EUR)



Source: LMDF analysis.

The credit risks faced by the Fund did not lead to significant additional provisions during the reporting period.

Over the last twelve months, the NAV per Class C share increased by 1.4% and by 2.4% per Class B share, a slight increase over the previous year-end returns. The performance of the LMDF share classes significantly outperforms the 0.8% net returns of microfinance debt funds denominated in Euro (measured by the Symbiotics SMX Euro Index – Graph 6).

**/ Outlook**

The current environment is marked by inflation, high energy prices, rising food insecurity and geopolitical tensions. So far, the microfinance sector and many developing countries have proven to be resilient.

Yet this poly-crisis is taking the largest toll on the poor and most vulnerable. We continue to believe strongly that microfinance has a role to play in such an environment as a reliable financial support system.

The Fund is facing some headwinds in the form of higher hedging costs which makes it more difficult to agree on interest rates with MFIs. The Fund is also carefully analysing possible areas of emerging risks in the portfolio and may prefer a slower growth in the coming months.

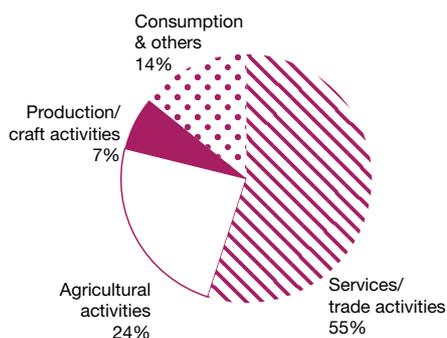
Our work would not be possible without the strong support of shareholders, and I would like to conclude by thanking all shareholders very much for their trust and commitment.

As always, we look forward to receiving your thoughts and comments.

Yours faithfully,

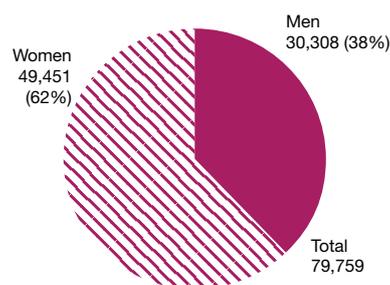
Kaspar Wansleben  
Executive Director

GRAPH 3:  
ECONOMIC PURPOSE OF MICRO-CREDITS FINANCED BY LMDF (in %)



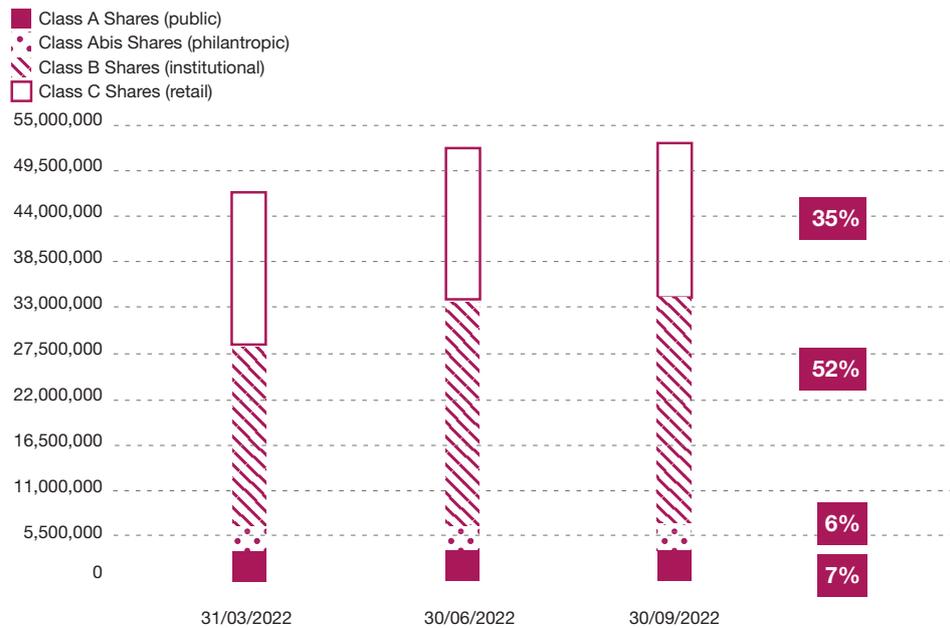
Source: LMDF analysis of weighted average data provided by partner MFIs as at 30/06/2022

GRAPH 4:  
ACTIVE MICRO-ENTREPRENEURS FINANCED BY LMDF



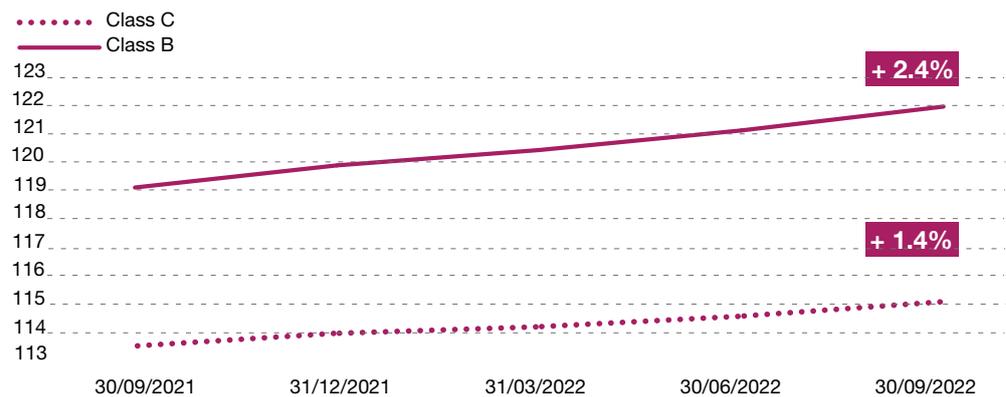
Source: LMDF analysis of weighted average data provided by partner MFIs as at 30/06/2022

GRAPH 5:  
NET ASSET VALUE BY SHARE CLASS (in EUR)



Source: LMDf analysis

GRAPH 6:  
DEVELOPMENT OF NAV PER SHARE OF CLASS B AND CLASS C SHARES DURING THE LAST 12 MONTHS (in EUR)



Source: LMDf analysis

QUARTERLY PERFORMANCE OF THE SYMBIOTICS MICROFINANCE DEBT INDEX - EUROS (SMX EUR) DURING THE LAST 12 MONTHS



Source: Syminvest

# Risk report on activities



The Fund's Risk Committee oversees the various risks which the Fund faces. Following a busy year in 2020/21, during which the Committee was convened 7 times, mainly to take action on COVID-related agreements, 2021/22 and the first half of 2022/23 have been quieter. The Fund continues to face heightened risks within a volatile environment; these arise from the portfolio in Myanmar; from the invasion of Russia in Ukraine with indirect impact on the Central Asian holdings; and, more recently, from the severe drought in Africa which had a devastating effect on farming and food production, especially in Kenya and other East African countries. While credit risk is the main focus for the Committee, their remit also includes market, operational, country, liquidity, distribution, regulatory, ESG and AML risks. AML risks and sanctions monitoring have been a particular concentration since the Russian invasion, but to date, these have had limited impacts on the Fund.

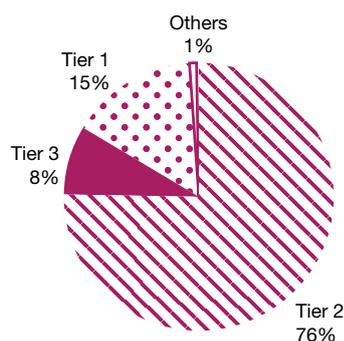
## - Credit risks

The Fund's risk management bodies continue to monitor credit risk closely, which has decreased from the elevated levels we have seen during the

COVID period. The majority of risks, however, continue to stem from a combination of climate change, armed political conflicts, rising international food and fuel prices and the impact of COVID. Provisions related to the situation in Myanmar have increased from EUR 353k at year end 2021/22 to EUR 456k at the end of September 2022. These constitute 72% of the Fund's total outstanding provisions. In both of the Fund's holdings in Myanmar, intercreditor groups have been formed and creditors agreements are in place. The other high risk position that resulted from COVID, is the Uganda Microcredit Foundation, which has been subject to extended intercreditor negotiations and its loan has undergone a lengthy restructuring.

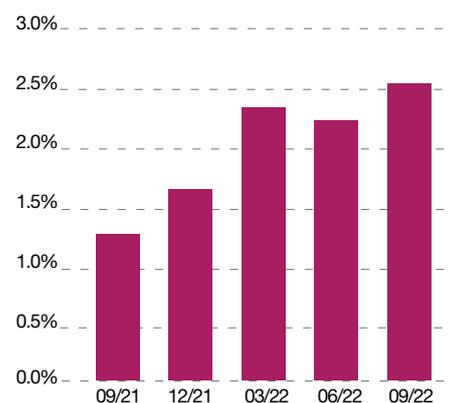
In relation to Central Asia, LMDF provisioned EUR 76.5k for two positions. In the two instances, the Fund has been part of the creditors groups focused on supporting the institutions during these uncertain times. MFIs in the region remain subject to enhanced monitoring from both a credit and AML risk perspective. As a result of the severe droughts observed in Kenya, the Fund provisioned EUR 15k in relation to one institution which has

GRAPH 7:  
DISTRIBUTION OF MFIS BY TIER IN  
LMDF'S PORTFOLIO (% OF PTF)



Source: LMDF analysis as at 30/09/2022

GRAPH 8:  
DIFFERENCE BETWEEN EUR AND USD  
INTEREST RATE (3 MONTH LIBOR)



Source: US Department of the Treasury and European Central Bank

requested a 6 months waiver of the portfolio quality covenant.

To diversify its credit risks, the Fund invests pursuant to the principle of risk spreading and diversification, in particular by limiting its exposure to no more than 5.0% of the NAV with a specific MFI. During the period, the Fund made a new large transaction with the MFI Amur (Kazakhstan) which with the subsequent accrual of loan interests together with the depreciation of the EUR against the KZT resulted in the breach of the limit exposure as on 30<sup>th</sup> September 2022. As a result, the Fund's risk management will conduct an investigation to identify and report about the nature of the breach and recommend the most viable action plan to resolve it as prompt as possible. The Funds risk management will also conduct a detailed analysis to identify and implement further operational controls to avoid any exposure breach in the future.

The Fund has maintained steady liquidity levels over the course of the period with 78.5% of the portfolio invested in microfinance. Within a volatile environment, the Fund has continued its focus on disbursements and with slightly higher loan amounts to maintain its liquidity levels. Nonetheless, the Fund remains highly diversified, with 48 institutions receiving financing and an average exposure of 1.8% net assets to each MFI.

#### **- Currency risk**

LMDF has a conservative approach to currency risk; although disbursements in local currency are preferred in order to mitigate investee FX risk, the Fund adopts a rigorous hedging policy. As the result of the weakening EUR against the U.S. Dollar, the Fund's hedge portfolio as at 30<sup>th</sup> September 2022 is valued at EUR -1.2m for the cross-currency swaps and EUR -1.3m for forwards, both compensated by the appreciation of the investment portfolio. The Fund's hedging covers a diverse portfolio of 19 currencies plus the Euro. The largest exposure remains the U.S. Dollar portfolio which amounts to EUR 16.2m or 31% of the Fund's total net assets; this constitutes a similar level compared to the 2021/22 year end.

#### **- Country risks**

At period end, LMDF is invested in 27 countries. The exposure towards countries which are monitored by the Financial Action Task Force (the entity evaluating money laundering and terrorist financing risks) is listed in a detailed Note 10. This number continues to decrease and now constitutes 4.3% of total net assets. All assets in Central Asia are now also treated with a high AML risk categorisation with enhanced monitoring conducted accordingly.

Following impairments in Myanmar, the exposure to the country amounts to EUR 1.6m (or 3.0% of total net assets) and the position is subject to close monitoring, reflecting the current challenges in the geography. The Central Asian region is also subject to enhanced monitoring and constitutes 23.1% of net assets, with investments in the Kyrgyz Republic (6.3% of NAV), Tajikistan (6.9% of NAV) and Kazakhstan (9.9% of NAV).

The highest Fund exposures are to Ecuador and Kazakhstan, which constitute 19.7% of total net assets. The concentration of assets in the largest 5 countries has increased to 40% (33% end of 2021/22).

#### **- ESG Risks**

The Fund has elected to be classified under article 9 of Regulation (EU) 2019/2088 on sustainability-related disclosures (SFDR): this means that it has an objective of making sustainable investment within the meaning of the aforementioned regulation. Prospectus updates were made accordingly in June 2021 and December 2021 and additional disclosures on ESG risk are also available on the Fund's website. The Fund will be making further changes to its reporting information in the coming year in accordance with Level 2 SFDR requirements.

There were no material adverse ESG events in the reporting period.

We look forward to receiving your thoughts and comments.

Alejandro Vazquez Ortega, Head of Risk

# 1 Focus on Rwanda

## Driving financial inclusion

LMDF added the Republic of Rwanda to its portfolio in 2021 and is currently financing two MFIs:

- **Umutanguha Finance Company Plc (UFC):** Established as a savings and credit cooperative in 2003, UFC has been created as an initiative of a group of widows that decided to name the cooperative Umutanguha meaning “loyal friend” in the Kinyarwanda language. Since then, UFC has constantly developed and today counts on over 6,000 clients and 11 branches, located throughout Rwanda. The MFI has a strong outreach towards rural areas (96% of its clients) and a good gender focus with 57% of female clients.
- **INKUNGA FINANCE:** This MFI is mainly active in the Western Province and its surroundings where the local economy is predominantly composed of traditional and commercial agriculture such as coffee (20% of the portfolio) on the shores of Lake Kivu and tea in the mountainous areas of the Congo-Nile Ridge. INKUNGA FINANCE supports over 23,000 clients, including 21% of young people (<25 years), 41% women and 100% of their clients live in rural areas.

In Rwanda, poverty levels are persistently high, despite the improvements recorded post genocide. In 2017, 55% of the population was living below the poverty line of USD 1.90 a day. Unfortunately, COVID-19 has just deepened the crisis. The combination of poorer nutrition, limited health services, learning losses from school closures, and the likelihood that some children (particularly girls and children from poor households) may never return to school, has the potential to threaten decades

of progress in human capital development.<sup>1</sup> Agriculture continues to be the key employer for 80% of the population, however, the high population density and poor farming practices pose concerns over sustainability. Food insecurity is highly prevalent with nearly one in five households suffering from insecurity and 35% of children malnourished.<sup>1</sup>

**In Rwanda, poverty levels are persistently high, despite the improvements recorded post genocide. In 2017, 55% of the population was living below the poverty line of USD 1.90 a day.<sup>1</sup>**

Rwanda is Africa's most densely populated country. Unemployment (23% of the population)<sup>2</sup> and underemployment (nearly 50% of the active population)<sup>3</sup> are persistent challenges for a population lacking jobs that can adequately support them and their families. If we look at the situation of young people in Rwanda and despite significant progress to date, many challenges remain. Youth unemployment rate stands at around 21% and one third of those who are employed have low-earning jobs, such as subsistence farming, retail trade, and construction.<sup>1</sup> Rwanda is also a recipient of a great number of refugees (approx. 150k) escaping neighboring conflicts. Several initiatives are in place to support these communities, but the instability in bordering countries has ramifications for Rwanda as well.

LMDF's investment in the country as at 30/09/2022 amounts to a total of USD 1,446,509. This translates into an outstanding loan to UFC of USD 1,141,057 and to INKUNGA FINANCE of USD 305,452.

<sup>1</sup> World Bank / <sup>2</sup> Trading Economics / <sup>3</sup> African Development Bank.



100% of Inkunga's clients live in rural areas // INKUNGA FINANCE

## 2 4 Questions to

Claudien Nsengimana, CEO of Inkunga in Rwanda



### Could you briefly introduce us to INKUNGA FINANCE and the microfinance sector in Rwanda?

INKUNGA FINANCE is a microfinance institution created in 2005 as a savings and credit cooperative. In 2016, it changed status to become a limited microfinance company. Our head office is located in the Western Province, Karongi District, Rubengera Sector. It has six branches including one in the city of Kigali. INKUNGA FINANCE has over 23,000 customers and 50 employees. Our mission is to promote quality financial services to small and medium-sized entrepreneurs in order to contribute to the improvement of their socio-economic living conditions, while remaining a sustainable and self-sufficient institution.

**Our mission is to promote quality financial services to small and medium-sized entrepreneurs in order to contribute to the improvement of their socio-economic living conditions, while remaining a sustainable and self-sufficient institution.**

The microfinance sector in Rwanda dates back to 1975 with the creation of the former Banques Populaires. Since 2005, microfinance in Rwanda has grown throughout the country thanks to the creation

of various credit and saving cooperatives named COOPECs, but in the following two years, many of them have gone bankrupt. After this period of crisis, the microfinance institutions created their association (AMIR) which contributed to building the capacities of the institutions and their employees. In 2008, under a government initiative, Umurenge SACCOs was established with the aim to boost up rural savings and provide Rwandans with loans to improve their earnings and enhance their livelihoods.

Now the microfinance sector is well contributing to the economy of the country especially for those living in rural areas. The Central Bank through its microfinance department, is regulating and supervising the sector as the regulation for microfinance activity is in place since 2009 in addition to the law related to the microfinance sector.

**INKUNGA FINANCE is mainly active in the Western Province and its surroundings where the local economy is mainly composed of traditional and commercial agriculture. What are the main activities**



The MFI supports over 23,000 clients through 6 branches in Rwanda // INKUNGA FINANCE

## your MFI supports? And how your credit and saving services specifically help local farmers?

INKUNGA FINANCE is mainly active in the Western Province where the local economy is based on agriculture.

The activities that we finance in this sector are:

- The projects for increasing the agricultural production, especially for maize, rice, banana, vegetables, coffee, fruits, etc. In this case, we provide agri-loans to help farmers to have access to finance to purchase inputs (seeds, fertilisers, pesticides, tools and small machines) or to organise harvest and processing activities (case of coffee producers' cooperatives).

- The projects for agri-veterinary value chains (livestock, poultry, piggery and animal feed businesses).
- The commerce and transportation of agri-production and the small projects for transformation.

In addition to the agricultural activities, we finance small trade, transport of goods and people, construction of residential houses and commercial buildings, craftsmanship, household needs (school fees, household equipment, medical expenses and salary advance) and group lending.

When it comes to savings, we offer our clients four different savings products as current savings, savings by objective named "ITEGANYIRIZE", children's savings called "ZIGAMIRUMWANA" and the "term deposit".

## Do you provide any kind of non-financial support to your clients, like financial education or specific trainings?

We participate in the creation of solidarity groups and we offer their members training sessions on financial education to help clients making savings by goal, using micro-credits effectively, learn how to keep simplified accounting, etc...

## How has LMDF's loan helped your institution and how do you see Inkunga develop over the next years?

INKUNGA FINANCE is operating in rural area where subsistence farming is dominating. This situation causes the disproportionality between the saving and the demands of the loans.

LMDF's loan has helped our institution increase its capacity to grant credit to its clients because internal resources are not sufficient now. In general, client deposits and equity are not sufficient to satisfy the

demands of the loans which we see growing substantially. The microfinance loan of LMDF via their investment adviser ADA enabled the institution to solve this problem.

**We plan also to promote green finance starting with forestry value chain products developed in partnership with ADA.**

In the coming years, INKUNGA FINANCE plans to maintain its social mission and reach the most disadvantaged groups in its intervention regions. We plan also to promote green finance starting with forestry value chain products developed in partnership with ADA.

We also plan to expand our area of intervention and focus on the use of technology in service delivery to our clients.



*The MFI provides training sessions in financial education to help their clients, for example, make savings by goal // INKUNGA FINANCE*

# Statutory information

## Organisation

### Registered Office // Domicile

39, rue Glesener  
L-1631 Luxembourg

### Trade Register Number // Registre de commerce et des sociétés

R.C.S. Luxembourg B 148.826

### Board of Directors and Committees // Conseil d'administration et comités

#### Chair - Président

Raymond Schadeck

Independent

#### Members - Membres

Ernstine Kornelis (until 31/08/2022)

Development Cooperation Department,  
Ministry of Foreign and European Affairs (MAEE)

Geneviève Hengen (from 21/09/2022)\*

Development Cooperation Department,  
Ministry of Foreign and European Affairs (MAEE)  
Ministry of Finance

Michel Haas

ADA - Appui au Développement Autonome

Patrick Losch

Independent

Michel Maquil

Independent

Natalia Oskian

Banque Internationale à Luxembourg (BIL)

Olivier Goemans

Independent

Monica Tiuba

Banque et Caisse d'Épargne de l'État (BCEE)

Dzemaal Tomic

Executive Director

Kaspar Wansleben

#### Investment Committee LMDF\*\*

##### Comité d'investissement LMDF

Anne Contreras - Independent

Gilles Franck - ADA

Jürgen Hammer - SPTF

Michel Haas - Ministry of Finance

Olivier Goemans - BIL

Paul Weber - MAEE

Philippe Dardart - BGL BNP Paribas

Kaspar Wansleben - Executive Director

#### Risk Committee

##### Comité de risque

Dzemaal Tomic - BCEE, Committee Chair

Raymond Schadeck - Independent

Yves Speeckaert - Independent

Jane Wilkinson - Independent

Apricot Wilson - Head of Risk (until 15/08/2022)

#### Employment Committee // Comité d'emploi

Michel Haas - Ministry of Finance, Committee Chair

Raymond Schadeck - Independent

Dzemaal Tomic - BCEE

#### Marketing Committee

##### Comité de marketing

Natalia Oskian - Independent, Committee Chair

Viviane Clauss - BdL

Didier Richter - BIL

Patrick Bilbault - Independent

#### Appointments Committee

##### Comité de nomination

Ernstine Kornelis - MAEE, Committee Chair (until 31/08/2022)

Michel Haas - Ministry of Finance

Raymond Schadeck - Independent

\*Pending non-objection from the CSSF. \*\*A separate investment committee has been constituted for FCCF.

**Investment adviser**

**Conseiller en investissement**

ADA - Appui au Développement Autonome asbl  
39, rue Glesener  
L-1631 Luxembourg

**Depository and Paying Agent**

**Banque dépositaire et agent de paiement**

Banque et Caisse d'Épargne de l'État  
1, place de Metz  
L-2954 Luxembourg

**Auditors // Réviseur d'entreprises agréé**

KPMG Luxembourg, Société anonyme  
39, Avenue John F. Kennedy  
L-1855 Luxembourg

**Distributors // Distributeurs**

Banque de Luxembourg S.A.  
14, boulevard Royal  
L-2449 Luxembourg

Banque Raiffeisen s.c.

4, rue Léon Laval  
L-3372 Luxembourg

Banque et Caisse d'Épargne de l'État

1, place de Metz  
L-2954 Luxembourg

**Listing // Listing**

On the Luxembourg Stock Exchange  
Securities Official List (SOL)  
[www.bourse.lu/green](http://www.bourse.lu/green)

**Foreign Currency Hedging Provider // Contrepartie de couverture de risque de change**

MFX Solutions, Inc.  
1050 17<sup>th</sup> St. NW, Suite 550  
Washington DC, 20036  
United States of America

**Microfinance expertise // Expertise en microfinance**

General Partner of the Higher Education Finance Fund LP  
OMTRIX Inc.

Oficentro La Virgen No.2, Edificio 1, Piso 1  
Zona Industrial de Pavas,  
San José, Costa Rica

**Administrative Agent, Registrar and Transfer Agent**

**Administration centrale et agent de transfert**

European Fund Administration S.A.  
2, rue d'Alsace  
L-1017 Luxembourg

**Legal Advisers // Conseiller légal**

Elvinger Hoss Prussen  
2, place Winston Churchill  
L-1340 Luxembourg

BGL BNP Paribas S.A.

50, avenue J.F. Kennedy  
L-2951 Luxembourg

Fortuna Banque s.c.

130, boulevard de la Pétrusse  
L-2330 Luxembourg

Banque et Caisse d'Épargne de l'État

1, place de Metz  
L-2954 Luxembourg

**Identity numbers // Code d'identité**

Class B shares  
ISIN: LU0456966935  
Bloomberg: LMDSVCB:LX  
SIX: 10633787

Class C shares  
ISIN: LU0456967404  
Bloomberg: LMDSVCC:LX  
SIX: 10633788

# Unaudited financial statements

## *Etats financiers non révisés*

### // 1 **Statement of net assets** *État des actifs nets*

as at 30 September 2022 // au 30 septembre 2022

Assets – Actif	Notes	EUR
Shares (and equity-type securities) in microfinance institutions and service providers <i>Actions (et instruments similaires) dans des institutions de microfinance et structures de support</i>		296,938
Loan agreements with microfinance institutions <i>Contrats de prêt avec des institutions de microfinance</i>	6, 10	43,836,022
Cash and savings at banks <i>Avoirs et épargne en banques</i>		10,998,678
Income receivable on portfolio <i>A recevoir sur le portefeuille</i>		1,216,990
VAT receivable <i>TVA à recevoir</i>		55,024
Other receivables and assets <i>Autres actifs</i>	7	207,107
<b>Total assets</b> <b>Somme d'actifs</b>		<b>56,610,759</b>



41% of the MFI's clients are women // INKUNGA FINANCE

Liabilities – Passif	Notes	EUR
Unrealised depreciation on forward foreign exchange contracts <i>Moins-value non réalisée sur contrats de change à terme</i>	5	2,691,490
Unrealised depreciation on swap contracts <i>Moins-value non réalisée sur contrat de swap</i>	5	1,189,159
Accrued expenses <i>Provision pour frais à payer</i>	7	478,894
Interest payable on bank accounts and term deposits <i>Intérêts à payer sur avoirs en banque et dépôts à terme</i>		24,660
<b>Total liabilities</b> <b>Somme des passifs</b>		<b>4,384,203</b>
<b>Net assets at the end of the period</b> <b>Actifs nets à la fin de la période</b>		<b>52,226,555</b>
A Class shares outstanding <i>Nombre d'actions en circulation de la Classe A</i>		131,347.257
Net asset value per A Class share <i>Valeur nette d'inventaire par action de la Classe A</i>		27.79
A <sub>bis</sub> Class shares outstanding <i>Nombre d'actions en circulation de la Classe A<sub>bis</sub></i>		116,052.936
Net asset value per A <sub>bis</sub> Class share <i>Valeur nette d'inventaire par action de la Classe A<sub>bis</sub></i>		26.54
B Class shares outstanding <i>Nombre d'actions en circulation de la Classe B</i>		220,782.374
Net asset value per B Class share <i>Valeur nette d'inventaire par action de la Classe B</i>		122.30
C Class shares outstanding <i>Nombre d'actions en circulation de la Classe C</i>		160,657.459
Net asset value per C Class share <i>Valeur nette d'inventaire par action de la Classe C</i>		115.11

## // 2 Statement of operations and other changes in net assets *État des opérations et des variations des actifs nets*

from 1 April 2022 to 30 September 2022  
du 1<sup>er</sup> avril 2022 au 30 septembre 2022

Income – Revenus	Notes	EUR
Interest on microfinance loan agreements <i>Intérêts sur contrats de prêt en microfinance</i>		2,456,507
Net interest paid on swap contracts <i>Intérêts nets payés sur contrat swaps</i>		(722,429)
<b>Net interest on microfinance loan agreements <i>Intérêts nets sur contrats de prêts en microfinance</i></b>		<b>1,734,078</b>
Commissions on microfinance loan agreements <i>Commissions sur contrats de prêts microfinance</i>		72,347
Other income <i>Autres revenus</i>		11,674
<b>Total income <i>Somme des revenus</i></b>		<b>1,818,099</b>
Expenses – Frais		
Advisory fees <i>Frais du conseiller en investissement</i>	3	322,370
Salary and wages of the fund management <i>Charges salariales de gestion du fonds</i>	3, 12	201,308
Custodian fees <i>Commission de la banque dépositaire</i>		26,392
Central administration costs <i>Frais de l'administration centrale</i>		28,242
Bank charges and other fees <i>Frais bancaires et charges liées</i>		10,224
Interest on bank accounts and term deposits <i>Intérêts bancaires et dépôts à termes</i>		36,931
Transaction fees <i>Frais de transaction</i>		713
Audit fees <i>Frais de révision</i>		13,750
Legal fees <i>Frais légaux</i>		2,092
Travel and representation fees <i>Frais de voyage et de représentation</i>		6,172
Rent & Information technology fees <i>Loyer et frais informatiques</i>		37,260
Other administrative costs <i>Autres charges administratives</i>		18,012
<b>Total expenses <i>Total des frais</i></b>		<b>703,466</b>
<b>Net investment income <i>Résultat net d'investissement</i></b>		<b>1,114,633</b>

Net realised gain/(loss) <i>Bénéfice/(perte) net(te)</i>	Notes	EUR
On investments <i>Sur investissements</i>	6	(131,650)
On forward foreign exchange contracts <i>Sur contrats de change à terme</i>		(1,928,556)
On forward foreign currency transactions <i>Sur transactions en devises</i>		328,966
<b>Realised result</b> <i>Bénéfice/(perte) net(te) réalisé(e)</i>		<b>(1,731,240)</b>
<b>Net variation of the unrealised gain/(loss)</b> <i>Variation de la plus-value/(moins-value) nette non réalisée</i>		
On investment portfolio / <i>Sur portefeuille d'investissements</i>		
Variation of impairment on microfinance loans <i>Variation de provisions sur prêts microfinance</i>	6	(39,844)
Variation of valuation of equity investments <i>Variation de la valorisation des investissements en capital</i>		102,882
Variation due to changes in the foreign exchange rate <i>Variation due à l'évolution du taux de change</i>		4,011,791
<b>Total variation on investment portfolio</b> <i>Variation totale sur portefeuille d'investissements</i>		<b>4,074,829</b>
On forward foreign exchange contracts <i>Sur contrats de change à terme</i>		(1,361,586)
On cross-currency swap contracts <i>Sur contrats de swap de taux et change à terme</i>		(1,565,416)
<b>Unrealised result</b> <i>Bénéfice/(perte) net(te) non réalisé(e)</i>		<b>1,147,827</b>
<b>Result of operations</b> <i>Résultat net des opérations</i>		<b>531,220</b>
Subscriptions <i>Souscriptions</i>		5,967,988
Redemptions <i>Rachats</i>		(603,443)
<b>Total changes in net assets</b> <i>Variation globale de la valeur nette d'inventaire</i>		<b>5,895,765</b>
<b>Total net assets at the beginning of the year</b> <i>Valeur nette d'inventaire au début de l'année</i>		<b>46,330,790</b>
<b>Total net assets at the end of the period</b> <i>Valeur nette d'inventaire à la fin de la période</i>		<b>52,226,555</b>

### // 3 Statistical information Informations statistiques

as at 30 September 2022 // au 30 septembre 2022

<b>Total net assets – Actifs nets</b>		<b>EUR</b>
As at 30/09/2022		52,226,555
<i>Au 30/09/2022</i>		
<b>Number of A Class shares – Nombre d'actions de la Classe A en circulation</b>		
Outstanding at the beginning of the year		131,347.257
<i>Au début de l'année</i>		
Issued during the period		-
<i>Émises durant la période</i>		
Redeemed during the period		-
<i>Rachetées durant la période</i>		
Outstanding at the end of the period		131,347.257
<i>À la fin de la période</i>		
<b>Net asset value per A Class share</b>		
<i>Valeur nette d'inventaire par action de la Classe A</i>		
As at 30/09/2022		27.79
<i>Au 30/09/2022</i>		
<b>Number of A<sub>bis</sub> Class shares – Nombre d'actions de la Classe A<sub>bis</sub> en circulation</b>		
Outstanding at the beginning of the year		116,052.936
<i>Au début de l'année</i>		
Issued during the period		-
<i>Émises durant la période</i>		
Redeemed during the period		-
<i>Rachetées durant la période</i>		
Outstanding at the end of the period		116,052.936
<i>À la fin de la période</i>		
<b>Net asset value per A<sub>bis</sub> Class share</b>		
<i>Valeur nette d'inventaire par action de la Classe A<sub>bis</sub></i>		
As at 30/09/2022		26.54
<i>Au 30/09/2022</i>		

#### Number of B Class shares – *Nombre d'actions de la Classe B en circulation*

Outstanding at the beginning of the year <i>Au début de l'année</i>	177,341.098
Issued during the period <i>Émises durant la période</i>	44,878.056
Redeemed during the period <i>Rachetées durant la période</i>	(1,436.780)
Outstanding at the end of the period <i>À la fin de la période</i>	220,782.374

#### Net asset value per B Class share *Valeur nette d'inventaire par action de la Classe B*

As at 30/09/2022 <i>Au 30/09/2022</i>	122.30
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#### Number of C Class shares – *Nombre d'actions de la Classe C en circulation*

Outstanding at the beginning of the year <i>Au début de l'année</i>	159,631.856
Issued during the period <i>Émises durant la période</i>	4,785.589
Redeemed during the period <i>Rachetées durant la période</i>	(3,759.986)
Outstanding at the end of the period <i>À la fin de la période</i>	160,657.459

#### Net asset value per C Class share *Valeur nette d'inventaire par action de la Classe C*

As at 30/09/2022 <i>Au 30/09/2022</i>	115.11
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## // 4 Statement of investments and other net assets État du portefeuille-titres et autres actifs nets

as at 30 September 2022 // au 30 septembre 2022

Instrument // Microfinance institution	Note	Country	Maturity	Currency	Quantity // Nominal value	Total value (in EUR)*	% of NAV
<b>Financial instruments not admitted to an official stock-exchange listing nor dealt in on another regulated market</b>							
<b>Shares (and equity-type securities) in microfinance institutions and service providers</b>							
MFX Solutions LLC		USA	N/A	USD	187,090	296,938	0.6%
<b>Loan agreements with microfinance institutions</b>							
MFO Arnur Credit LLP		Kazakhstan	10/10/2025	KZT	1,175,000,000	2,547,573	4.9%
Koperasi Simpan Pinjam Mitra Dhuafa "KOMIDA"		Indonesia	10/01/2025	IDR	34,000,000,000	2,341,445	4.5%
Cooperativa de Ahorro y Crédito 4 de Octubre		Ecuador	10/04/2026	USD	1,750,000	1,849,321	3.5%
Agence de Crédit pour l'Entreprise Privée (ACEP) Cameroun SA		Cameroon	10/10/2024	XAF	1,200,000,000	1,833,397	3.5%
IDEPRO Desarrollo Empresarial Institución Financiera De Desarrollo		Bolivia	10/10/2024	USD	1,690,000	1,787,099	3.4%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		Ecuador	10/10/2024	USD	1,500,000	1,591,701	3.1%
Óptima Servicios Financieros, S.A. DE C.V.		El Salvador	10/04/2025	USD	1,500,000	1,584,343	3.0%
L'Association pour la Promotion de l'Epargne-Crédit à Base Communautaire - BETHESDA		Benin	10/04/2025	XOF	1,000,000,000	1,575,433	3.0%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		Ecuador	10/07/2023	USD	1,400,000	1,456,443	2.8%
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.		Mexico	10/04/2025	MXN	25,000,000	1,360,682	2.6%
Micro-credit company Bailyk Finance LLC		Kyrgyz Republic	10/04/2025	USD	1,200,000	1,271,889	2.4%
Closed Joint Stock Company Microcredit Deposit Organization "HUMO"		Tajikistan	10/01/2024	TJS	11,300,000	1,218,820	2.3%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		Guatemala	09/07/2027	USD	1,000,000	1,040,019	2.0%
Microfinance Organization "Asian Credit Fund" Limited Liability Company		Kazakhstan	10/10/2024	KZT	442,900,000	1,034,971	2.0%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		Honduras	10/01/2024	HNL	24,000,000	1,023,656	2.0%
Microfinance Company Salyr Finance		Kyrgyz Republic	10/10/2022	USD	900,000	956,124	1.8%
Microfinance Organization "Asian Credit Fund" Limited Liability Company		Kazakhstan	10/04/2025	EUR	900,000	923,250	1.8%
Moris Rasik Foundation		East-Timor	10/04/2025	USD	850,000	898,837	1.7%
Closed Joint Stock Company Microcredit Deposit Organization "HUMO"		Tajikistan	10/01/2024	EUR	870,000	879,135	1.7%
Alliance for Microfinance Myanmar limited	6,10	Myanmar	01/04/2022	EUR	1,092,700	816,648	1.6%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		Mexico	10/01/2024	MXN	15,000,000	787,218	1.5%
Advans MFI Myanmar Company Limited	6, 10	Myanmar	10/01/2023	EUR	898,576	739,659	1.4%
Consultores de Servicios Varios SA de CV SOFOM ENR		Mexico	10/04/2026	MXN	13,000,000	712,318	1.4%
Asociación de desarrollo integral Cuenca del Lago de Atitlán - ADICLA		Guatemala	10/04/2025	GTQ	5,000,000	686,914	1.3%
VisionFund Republica Dominicana SAS		Dominican Republic	10/10/2024	DOP	31,800,000	645,734	1.2%
Financiación Amiga S.A.S.		Colombia	10/10/2023	COP	2,579,373,200	606,896	1.2%
Asociación para el Desarrollo Integral de San Antonio Ilotenango		Guatemala	10/07/2025	USD	580,000	601,657	1.2%
Umutanguha Finance Company (UFC) PLC		Rwanda	10/04/2025	RWF	578,296,000	598,912	1.2%
Consultores de Servicios Varios SA de CV SOFOM ENR		Mexico	10/04/2026	MXN	11,000,000	597,134	1.1%
Asociación para el Desarrollo Integral de San Antonio Ilotenango		Guatemala	10/07/2025	USD	569,000	590,246	1.1%
LAPO Microfinance Company Limited		Sierra Leone	10/04/2024	USD	550,000	585,647	1.1%
Umutanguha Finance Company (UFC) PLC		Rwanda	10/10/2025	RWF	541,100,000	542,146	1.0%
Limited Liability Microcredit Company "Universal Credit"		Kyrgyz Republic	10/07/2024	KGS	39,650,000	527,892	1.0%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		Honduras	10/01/2024	HNL	12,000,000	512,214	1.0%

Instrument // Microfinance institution	Note	Country	Maturity	Currency	Quantity // Nominal value	Total value (in EUR)	% of NAV
Asociación de desarrollo integral Cuenca del Lago de Atitlán - ADICLA		Guatemala	10/04/2025	GTQ	3,750,000	512,921	1.0%
Société d'investissement pour la Promotion des Entreprises à Madagascar SIPEM Banque		Madagascar	10/01/2024	EUR	500,000	506,833	1.0%
Cooperativa de Ahorro y Crédito Norandino LTDA		Peru	10/04/2024	PEN	1,800,000	485,181	0.9%
Microloan Foundation Zambia Limited		Zambia	10/07/2023	ZMW	6,140,000	424,808	0.8%
Attadamoune Micro-Finance	6, 10	Morocco	10/01/2024	EUR	400,000	405,467	0.8%
Association Assilassimé Solidarité		Togo	10/10/2025	XOF	262,000,000	403,046	0.8%
ACTB Savings and Loans LTD		Sierra Leone	10/10/2024	SLE	5,857,000	385,585	0.7%
Asociación Arariwa para la Promoción Técnico Cultural Andina		Peru	10/07/2024	PEN	1,450,000	382,733	0.7%
LLC Micro Credit Organization "OXUS"		Tajikistan	10/01/2024	USD	360,000	373,299	0.7%
LLC Micro Credit Organization "OXUS"		Tajikistan	10/04/2023	TJS	3,200,000	366,139	0.7%
LLC Micro Credit Organization "OXUS"		Tajikistan	10/01/2024	TJS	3,200,000	348,409	0.7%
LAPO Microfinance Company Limited		Sierra Leone	10/10/2024	USD	327,000	348,194	0.7%
ACTB Savings and Loans LTD		Sierra Leone	10/06/2024	SLE	5,100,000	335,749	0.6%
Yehu Microfinance Services Limited	6	Kenya	10/01/2024	KES	38,000,000	318,599	0.6%
Inkunga Finance Limited		Rwanda	10/07/2024	RWF	307,000,000	305,452	0.6%
LLC Micro Credit Organization "OXUS"	6	Kyrgyz Republic	10/10/2024	USD	300,000	276,512	0.5%
Microcredit Organization "FURUZ"	6	Tajikistan	10/04/2024	TJS	2,605,900	277,933	0.5%
LLP Microfinance Organization "BEREKE"		Kazakhstan	10/01/2023	KZT	120,000,000	271,119	0.5%
LLP Microfinance Organization "BEREKE"		Kazakhstan	11/07/2023	KZT	120,000,000	267,490	0.5%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		Ecuador	10/01/2023	USD	250,000	259,962	0.5%
MiCréditoya Microfinanciera S.A.S.		Colombia	10/04/2024	COP	1,100,000,000	260,581	0.5%
Bimas Kenya Ltd		Kenya	10/10/2022	KES	27,500,000	250,435	0.5%
LLC Micro Credit Organization "OXUS"	6	Kyrgyz Republic	07/10/2023	USD	240,000	233,830	0.5%
Financiera Fundeser S.A.	6, 10	Nicaragua	12/05/2022	USD	150,216	162,985	0.3%
Microcredit Organization "FURUZ"		Tajikistan	11/04/2022	EUR	150,000	154,385	0.3%
ONG Vahatra		Madagascar	10/01/2024	MGA	533,333,333	133,181	0.3%
MFO Arnur Credit LLP		Kazakhstan	10/01/2023	KZT	50,000,000	111,088	0.2%
Uganda Microcredit Foundation Limited	6, 10	Uganda	31/12/2025	UGX	708,584,060	101,308	0.2%
Alternativa Centro de Investigación Social y Educación Popular		Peru	10/01/2023	PEN	337,500	88,841	0.2%
<b>Sub-total</b>						<b>45,774,373</b>	<b>87.6%</b>
<b>Net accrued interest on loans</b>						<b>74,571</b>	<b>0.1%</b>
<b>Net accrued interest on swap contracts</b>						<b>(458,464)</b>	<b>(0.9)%</b>
<b>Sub-total</b>						<b>45,390,480</b>	<b>86.9%</b>
<b>Cash at banks, term deposits and savings accounts</b>						<b>10,998,678</b>	<b>21.1%</b>
<b>Other net assets / liabilities</b>						<b>(4,162,603)</b>	<b>(8.0)%</b>
<b>Total net assets</b>						<b>52,226,555</b>	<b>100.0%</b>

\*Totals may vary slightly due to rounding.

## // 5 Breakdown of microfinance investments and evolution of NAV *Répartition des investissements en microfinance et évolution de la VNI*

/ Total exposure per counterparty as at 30 September 2022 /  
*Exposition agrégée par contrepartie au 30 septembre 2022*

Aggregated exposure to	Notes	Total value (EUR)*	% of total net assets
MFO Annur Credit LLP		2,658,662	5.1%
Koperasi Simpan Pinjam Mitra Dhuafa "KOMIDA"		2,341,445	4.5%
Closed Joint Stock Company Microcredit Deposit Organization "HUMO"		2,097,955	4.0%
Microfinance Organization "Asian Credit Fund" Limited Liability Company		1,958,221	3.7%
Cooperativa de Ahorro y Crédito 4 de Octubre		1,849,321	3.5%
Agence de Crédit pour l'Entreprise Privée (ACEP) Cameroun SA		1,833,397	3.5%
IDEPRO Desarrollo Empresarial Institución Financiera de Desarrollo		1,787,099	3.4%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		1,716,405	3.3%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		1,591,701	3.0%
Óptima Servicios Financieros, S.A. DE C.V.		1,584,343	3.0%
L'Association pour la Promotion de l'Épargne-Crédit à Base Communautaire - BETHESDA		1,575,433	3.0%
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.		1,360,682	2.6%
Consultores de Servicios Varios SA de CV SOFOM ENR		1,309,451	2.5%
Micro-credit company Bailyk Finance LLC		1,271,889	2.4%
Asociación de Desarrollo Integral Cuenca del Lago de Atitlán - ADICLA		1,199,835	2.3%
Asociación para el Desarrollo Integral de San Antonio Ilotenango		1,191,903	2.3%
Umutanguha Finance Company (UFC) PLC		1,141,057	2.2%
LLC Micro Credit Organization "OXUS"		1,087,847	2.1%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		1,040,019	2.0%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		1,023,656	2.0%
Microfinance Company Salym Finance		956,124	1.8%
LAPO Microfinance Company limited		933,841	1.8%
Moris Rasik Foundation		898,837	1.7%
Alliance for Microfinance Myanmar limited	6, 10	816,648	1.6%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		787,218	1.5%
Advans MFI Myanmar Company Limited		739,659	1.4%
ACTB Savings and Loans LTD		721,334	1.4%
VisionFund Republica Dominicana SAS		645,734	1.2%
Financiación Amiga S.A.S.		606,896	1.2%
LLP Microfinance Organization "BEREKE"		538,609	1.0%
Limited Liability Microcredit Company "Universal Credit"		527,892	1.0%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		512,214	1.0%
LLC Micro Credit Organization "OXUS"	6	510,342	1.0%
Société d'Investissement pour la Promotion des Entreprises à Madagascar SIPEM Banque		506,833	1.0%
Cooperativa de Ahorro y Crédito Norandino LTDA		485,181	0.9%
Microcredit Organization "FURUZ"	6	432,318	0.8%
Microloan Foundation Zambia Limited		424,808	0.8%
Attadamoune Micro-Finance	6, 10	405,467	0.8%
Association Assilassimé Solidarité		403,046	0.8%
Asociación Arariwa para la Promoción Técnico Cultural Andina		382,733	0.7%
Yehu Microfinance Services Limited	6	318,599	0.6%
Inkunga Finance Limited		305,452	0.6%

Aggregated exposure to	Notes	Total value EUR*	% of total net assets
MFX Solutions LLC		296,938	0.6%
MiCréditoya Microfinanciera S.A.S.		260,581	0.5%
Bimas Kenya Ltd		250,435	0.5%
Financiera Fundeser S.A.	10	162,985	0.3%
ONG Vahatra		133,181	0.3%
Uganda Microcredit Foundation Limited	6, 10	101,308	0.2%
Alternativa Centro de Investigación Social y Educación Popular		88,841	0.2%
<b>Total Portfolio</b>		<b>45,774,373</b>	<b>87.6%</b>
<b>Average exposure by microfinance institution</b>		<b>934,171</b>	<b>1.8%</b>

\*Totals may vary slightly due to rounding.

### / Geographical breakdown of microfinance investments as at 30 September 2022 Répartition géographique des investissements en microfinance au 30 septembre 2022

Geographical classification	Notes	Total value (EUR)*	% of total net assets*
Ecuador		5,157,427	9.9%
Kazakhstan		5,155,492	9.9%
Tajikistan		3,618,120	6.9%
Mexico		3,457,352	6.6%
Guatemala		3,431,757	6.6%
Kyrgyz Republic		3,266,247	6.3%
Indonesia		2,341,445	4.5%
Cameroon		1,833,397	3.5%
Bolivia		1,787,099	3.4%
Sierra Leone		1,655,174	3.2%
El Salvador		1,584,343	3.0%
Benin		1,575,433	3.0%
Myanmar	10	1,556,307	3.0%
Honduras		1,535,870	2.9%
Rwanda		1,446,509	2.8%
Peru		956,754	1.8%
East-Timor		898,837	1.7%
Colombia		867,477	1.7%
Dominican Republic		645,734	1.2%
Madagascar		640,014	1.2%
Kenya		569,034	1.1%
Zambia		424,808	0.8%
Morocco	10	405,467	0.8%
Togo		403,046	0.8%
USA		296,938	0.6%
Nicaragua	10	162,985	0.3%
Uganda	10	101,308	0.2%
<b>Total Portfolio</b>		<b>45,774,373</b>	<b>87.6%</b>
<b>Average exposure by country</b>		<b>1,695,347</b>	<b>3.2%</b>

\*Totals may vary slightly due to rounding.



**/Breakdown of microfinance investments by currency as at 30 September 2022**  
*Répartition des investissements en microfinance par devise au 30 septembre 2022*

Geographical classification	Total value (EUR)*	% of total net assets
United States Dollar	16,165,045	31.0%
Euro	4,425,377	8.5%
Kazakhstani Tenge	4,232,242	8.1%
Mexican Peso	3,457,352	6.6%
Indonesian Rupiah	2,341,445	4.5%
Tajikistani Somoni	2,211,300	4.2%
West African CFA Franc	1,978,479	3.8%
Central African CFA Franc	1,833,397	3.5%
Honduras Lempira	1,535,870	2.9%
Rwandan Franc	1,446,509	2.8%
Guatemalan Quetzal	1,199,835	2.3%
Peruvian Sol	956,754	1.8%
Colombian Peso	867,477	1.7%
Sierra Leonean Leone	721,334	1.4%
Dominican Peso	645,734	1.2%
Kenyan Shilling	569,034	1.1%
Kyrgyzstani Som	527,892	1.0%
Zambian Kwacha	424,808	0.8%
Madagascar Ariary	133,181	0.3%
Ugandan Shilling	101,308	0.2%
<b>Total Portfolio</b>	<b>45,774,373</b>	<b>87.6%</b>
<b>Average exposure by currency</b>	<b>2,288,719</b>	<b>4.4%</b>

\*Totals may vary slightly due to rounding.

**/Evolution of the net asset value per share**  
**Évolution de la valeur nette d'inventaire par action**

in EUR <i>en EUR</i>	NAV/share as at 30/09/2022 <i>VNI/action au 30/09/2022</i>	NAV/share as at 31/03/2022 <i>VNI/action au 31/03/2022</i>	NAV/share as at 31/03/2021 <i>VNI/action au 31/03/2021</i>	Initial subscription price <i>Prix de souscription initial</i>
Class A shares <i>Actions de la Classe A</i>	27.79	27.58	26.26	25.00
Class A <sub>bis</sub> shares* <i>Actions de la Classe A<sub>bis</sub>*</i>	26.54	26.33	25.67	25.00
Class B shares <i>Actions de la Classe B</i>	122.30	120.77	115.68	100.00
Class C shares <i>Actions de la Classe C</i>	115.11	114.23	111.94	100.00

	Performance financial period 01/04 - 30/09/22 <i>Rendement financier de la période 01/04 - 30/09/22</i>	Performance financial year 2021 - 22 <i>Rendement de l'année 2021 - 22</i>	Performance financial year 2020 - 21 <i>Rendement de l'année 2020 - 21</i>	Performance since inception <i>Rendement depuis lancement</i>
Class A shares <i>Actions de la Classe A</i>	0.8%	1.0%	4%	11.2%
Class A <sub>bis</sub> shares* <i>Actions de la Classe A<sub>bis</sub>*</i>	0.8%	1.0%	1.6%	6.2%
Class B shares <i>Actions de la Classe B</i>	1.3%	2.0%	2.3%	22.3%
Class C shares <i>Actions de la Classe C</i>	0.8%	1.0%	1.0%	15.1%

<b>Total net assets (EUR)</b> <i>Actifs nets</i>	<b>52,226,555</b>	<b>46,330,790</b>	<b>44,040,052</b>
<b>Growth in total net assets</b> <i>Croissance des actifs nets</i>	<b>12.7%</b>	<b>5.2%</b>	<b>7.8%</b>

\*Class A<sub>bis</sub> shares have been issued for the first time on 30 June 2017.

## // 6 Notes to the unaudited financial statements *Notes aux états financiers non révisés*

as at 30 September 2022 // au 30 septembre 2022

### GENERAL INFORMATION

#### / A Structure of the SICAV

The Luxembourg Microfinance and Development Fund (the "LMDF" or "Fund") is a compartment of the Investing for Development SICAV (the "SICAV").

The SICAV is an investment company organised as a public limited company (société anonyme) under the laws of the Grand Duchy of Luxembourg and qualified as a "société d'investissement à capital variable" (SICAV). The SICAV is internally managed and has been registered on 31 January 2014 by the CSSF as an Alternative Investment Fund Manager ("AIFM") falling under the de minimis rule of Article 3 of the Luxembourg law of 12 July 2013 ("AIFM Law").

The SICAV was incorporated in Luxembourg on 7 October 2009 with an initial capital of EUR 31,000 divided into 1,240 fully paid-up shares with no par value. The capital of the SICAV is equal at all times to its net assets. The Articles were published in the Mémorial on 2 November 2009 and the SICAV is registered under trade register number R.C.S B 148826. The SICAV is incorporated for an unlimited period.

The SICAV is an umbrella fund and as such may operate separate Sub-Funds, each of which is represented by one or more classes of shares (each, a "Class"). The Sub-Funds are distinguished by their specific investment policy or any other specific features. As at 30 September 2022, the SICAV had two Sub-Funds, the Forestry and Climate Change Fund and the Luxembourg Microfinance and Development Fund.

On 16 May 2017, the SICAV held an extraordinary general meeting of shareholders ("EGM"). The EGM adopted a number of amendments to the Articles of Incorporation, among them to change the name of the SICAV from Luxembourg Microfinance and Development Fund SICAV to Investing for Development SICAV and the name of the Sub-Fund from Social Venture Capital Sub-Fund to Luxembourg Microfinance and Development Fund.

#### / B Structure of the LMDF

The Fund is authorised as an undertaking for collective investment ("UCI") under Part II of the law of 17 December 2010 relating to undertakings for collective investment (the "Law"). The Fund is an open-ended fund. Accordingly, the Fund is authorised to issue an unlimited number of shares, all of which are without par value.

The Fund may issue four classes of shares, namely Class A shares, Class A<sub>bis</sub> shares, Class B shares

and Class C shares, each targeting different types of investors, evidencing a different level of risk, offering a target return and evidencing a different level of involvement in the Fund's governance. The initial subscription period for Class A and Class B shares ended on 18 December 2009. The initial subscription period for Class C shares ended on 31 March 2010. The initial subscription period for Class A<sub>bis</sub> shares ended on 30 June 2017.

The base currency of the Fund is the Euro and the financial statements of the Fund are presented in Euro. The financial year of the Fund ends on 31 March of each year.

Copies of the Articles, the latest financial reports and the latest annual report may be obtained without cost on request from the Fund.

Copies of the material agreements mentioned in the Prospectus may be reviewed during normal business hours on any business day at the registered office of the Fund.

#### / C Investment Objective

The objective of the Fund is to make sustainable investment within the meaning of article 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "SFD Regulation"). The Fund aims at contributing to the alleviation of poverty in developing countries through the provision of permanent and adapted financial services to marginalised communities and individuals. The Fund invests in promising microfinance institutions ("MFIs") that have a positive social impact so that these institutions reach financial autonomy. In pursuance of its objectives, the Fund may invest in MFIs, in networks or associations of MFIs, in regional funds, in microfinance investment vehicles ("MIVs") and in other microfinance-related products.

The Fund has two principal objectives, social and financial: (1) help socially-oriented MFIs to become long-term viable enterprises that reach more poor people and offer better services, and (2) generate sufficient income to sustain its own operations and give its shareholders a financial return that at least compensates for inflation.

The Fund invests primarily in various credit products such as senior loans, term deposits, promissory notes, bonds or other interest-bearing instruments. The Fund may invest up to 10% of its net assets in equity instruments. The Fund invests in developing countries in Africa, Asia and Latin America.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### / A Presentation of Financial Statements

The Fund invests a significant part of its assets in financial instruments denominated in currencies other than the Euro. Often, the Fund contracts cross-currency interest rate swaps or forward foreign exchange contracts to limit the exposure of the Fund to the movements of the foreign currency in relation to the Euro. In the case of debt instruments, the cost of hedging such exposure strongly influences the interest rate the Fund charges to microfinance institutions.

The interest income on microfinance loan agreements in the statement of operations and other changes in net assets includes the interest charges to microfinance institutions to cover the hedging costs of the respective currency. The impact of the valuation of the hedging instruments is presented in the net realised gain/loss and the variation of the unrealised gain/loss.

### / B Valuation of Financial Instruments

Debt instruments not listed or dealt in on any stock exchange or any other regulated market that operates regularly, is recognised and open to the public, will be valued at the nominal value. Accrued interest from microfinance loan agreements is presented separately. Such value will be adjusted, if appropriate, to reflect, for instance, major fluctuations in interest rates in the relevant markets or the appraisal by the Board of Directors of the credit worthiness of the relevant debt instrument.

Capital participations not listed or dealt in on any stock exchange or any other regulated market that operates regularly, is recognised and open to the public, will be valued at their reasonably foreseeable sales price, determined prudently and in good faith, pursuant to procedures established by the Board of Directors. Such procedures include, in order of preference:

- Up to the first year following the Sub-Fund's acquisition, the capital participations will be valued at cost;
- After the first year of holding, the value of the capital participation will be estimated with reference to prices of equity transactions or issues of new shares involving the same MFI within a reasonable period of the valuation date. Such a period is determined by an assessment of the Board of Directors of whether material changes within the MFI or in its operating environment have occurred since the date such transactions took place;
- If such transactions are not available or deemed not representative of fair value, the value of the capital participation should be estimated with reference to the price-to-book ratio at which the Sub-Fund

acquired the capital participation;

- If the Sub-Fund has entered negotiations to sell a capital participation to a third party, the capital participation may be valued at its expected sales price if the disclosure is judged appropriate by the Board of Directors in view of the ongoing negotiations. The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued and not yet received is deemed to be the full amount thereof, unless the same is unlikely to be paid or received in full, in which case the value thereof is arrived at after making such discounts as may be considered appropriate in such a case to reflect the true value thereof.

The value of securities that are listed on any stock exchange or dealt in on any regulated, recognised, open to the public and regularly functioning market is based on the last available price.

The value of units or shares in UCIs is based on their last-stated net asset value. Other valuation methods may be used to adjust the price of these units or shares if, in the opinion of the Fund, there have been changes in the value since the net asset value had been calculated or the valuation method used by the UCIs is not appropriate to reflect the fair value thereof.

Cross-currency swaps or foreign forward exchange contracts that are materially linked to any underlying loan instrument are valued using the spot exchange rate for the notional. The difference between the spot and forward rates is amortised until the maturity of the instrument. Such valuation approach is changed if a credit risk materialises in the form of an impairment. The part of the SWAP or forward foreign exchange contract notional then exceeding the valuation of the underlying loan is valued using a mark to market approach, if the position cannot be closed.

The value of all assets and liabilities not denominated in the reference currency of a Sub-Fund will be translated into the reference currency of such Sub-Fund at the rate of exchange ruling in Luxembourg as at the relevant Valuation Day. If such quotations are not available, the rate of exchange will be determined in good faith by or under procedures established by the Board of Directors.

The Board of Directors, at its discretion, may permit some other methods of valuation to be used, if it considers that such valuation better reflects the fair value of any asset of the Fund.

### / C Allocation of Net Asset Value Among Share Classes

The preferential return to Class B shares is allocated if and only if the Sub-Fund's result of operations since the last valuation day, both with and without

impairment risk on microfinance, shows a profit.

In such a case, the net profit generated by the Sub-Fund since the last valuation day is first allocated to Class B shares until the first of the following is attained:

- The remuneration reaches the total net profit since last valuation;
- The equivalent of 1% p.a. interest on Class B shares' NAV.

The release of excess impairment provisions is not included in net profits allocated to Class B shares on a preferential basis.

The remaining profit, if any, is allocated among the three share Classes according to their respective proportions in the Sub-Fund's total NAV.

#### **Microfinance Impairment Risk**

Class A shares and Class A<sub>bis</sub> shares shall cover the net loss allocated to Class C shares since the last valuation day, if such loss arises from the impairment of microfinance related investments, until Class A share capital is nil and Class A<sub>bis</sub> capital is nil. Only a reduction in the Fund's microfinance investments resulting from the deterioration of the financial conditions of the counterparty is considered as a microfinance impairment.

The Fund reserves the right to suspend subscriptions in Class C shares within the Fund, if the NAV allocated to Class A shares plus Class A<sub>bis</sub> shares is less than 20% of the combined NAV of Class C, Class A and Class A<sub>bis</sub> shares.

#### **/ D Dividends**

The primary investment objective of the Fund is to achieve long-term growth. The Fund's operating plan in general does not contemplate payment of dividends to shareholders.

#### **NOTE 2 SHARES**

The Board is authorised, without limitation, to issue an unlimited number of fully paid-up shares at any time without reserving a preferential right to subscribe for the shares to be issued to the existing shareholders. The following share Classes are available for subscription, each targeting different types of investors evidencing a different level of risk, offering a different target return and involvement in the Fund's governance.

#### **Class A shares:**

Class A shares are reserved for subscription by the Luxembourg Government and such other investors as may be approved by the existing Class A shareholders. Class A shares entitle their holders to propose a common list of proposed directors for appointment to the Board by the General Meeting of shareholders. Class A shares are not redeemable.

- Risk profile: Junior
- Target return: Above inflation rate targeted by the ECB over the medium term

#### **Class A<sub>bis</sub> shares:**

Class A<sub>bis</sub> shares are open for subscription by philanthropic or other investors seeking a financial leverage on an investment with developmental impact. Class A<sub>bis</sub> shares are junior and cover risks for Class C shares, yet senior to Class A shares. Class A<sub>bis</sub> shares are redeemable subject to an 18-month notice period and the condition that after such redemption, the combined Net Asset Value of Class A and Class A<sub>bis</sub> shares amounts to at least 25% of the sum of the Net Asset Values of Class A, A<sub>bis</sub> and C Shares.

- Risk profile: Junior
- Target return: Above inflation rate targeted by the ECB over the medium term

#### **Class B shares:**

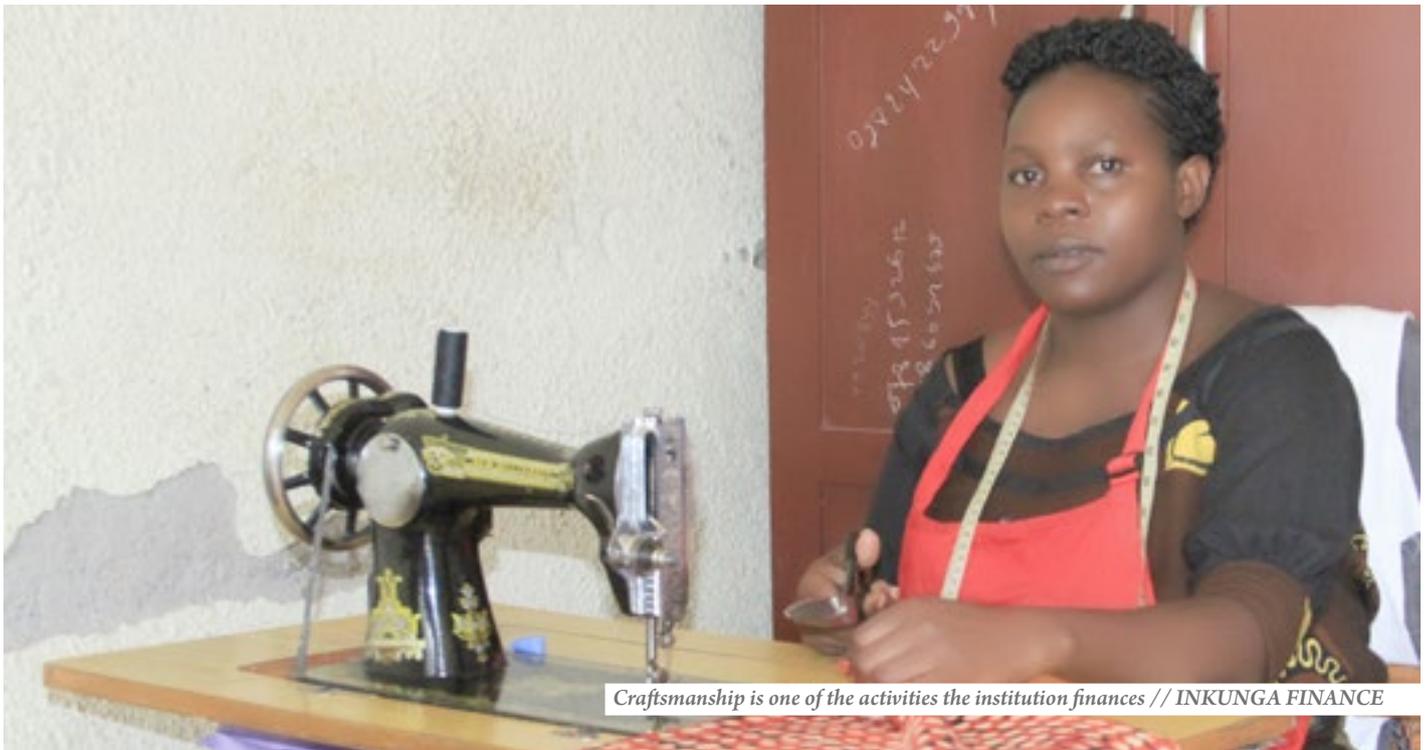
No restrictions for investors in Class B shares exist. Class B shares entitle their holders to earn a 1 percent p.a. higher return than Class A shares, Class A<sub>bis</sub> shares and Class C shares to the extent possible.

- Risk profile: Mezzanine
- Target return: Above inflation rate targeted by the ECB over the medium term plus 1 percentage point p.a.

#### **Class C shares:**

Class C shares are reserved for subscription for private individuals and private non-profit organisations. Class C shares entitle their holders to avoid under certain conditions risks emanating from impairment of the microfinance investments of the Sub-Fund which will be covered by Class A shares and Class A<sub>bis</sub> shares.

- Risk profile: Senior
- Target return: Above inflation rate targeted by the ECB over the medium term



*Craftsmanship is one of the activities the institution finances // INKUNGA FINANCE*

**NOTE 3  
ADVISORY FEES AND MANAGEMENT/  
TEAM REMUNERATION**

**/ A Advisory fees**

On 15 December 2009, the Fund concluded an investment advisory agreement with ADA - Appui au Développement Autonome a.s.b.l., amended on 1 October 2015.

Per the agreement the investment adviser is entitled to receive, out of the assets of the Fund, a yearly fee of:

- 1.5% p.a. of the Sub-Fund's average microfinance assets under advice plus 0.25% p.a. remuneration linked to the performance of the microfinance assets of the Fund if the assets managed by the adviser are below EUR 25 million and;
- 1.35% of the Sub-Fund's average microfinance assets under advice plus 0.25% p.a. remuneration linked to the investment related fees of the microfinance assets of the Fund if the assets managed by the adviser exceed EUR 25 million.

Total investment advisory and portfolio related fees amount, for the period ended on 30 September 2022, to EUR 322,370 or 1.2% (annualised) of the average net asset value of the SICAV. Of the total investment advisory fees, EUR 43,104 are linked to the investment related fees of the microfinance assets.

**/ B Management/team remuneration**

In consideration of the services rendered to the Fund, the Management and Support Team are entitled to receive remuneration that, together with the fee paid to the investment adviser(s), is at maximum 3% of the Sub-Fund's average net asset value per year.

From 1 April 2022 until 30 September 2022, the remuneration of the Management and Support Team amounted to 0.8% of the average net asset value of the SICAV. Total remuneration paid to the investment adviser(s), and the Management and Support Team amounted to 2.0% of the average net asset value of the SICAV.

**NOTE 4  
SUBSCRIPTION DUTY / "TAXE  
D'ABONNEMENT"**

The Fund is governed by Luxembourg tax law. Article 20 of the law of 18 December 2009 on the 2010 budget of the Luxembourg State and a Grand Ducal decree of 14 July 2010 abolished the "Taxe d'Abonnement" for funds investing in microfinance with effect on 1 January 2010. On 15 October 2010, the Commission de Surveillance du Secteur Financier ("CSSF") informed the Fund of their decision to include the Fund in the list of investment funds in compliance with such decree.

## NOTE 5

### FORWARD FOREIGN EXCHANGE AND SWAP CONTRACTS

#### / A Swap contracts

The Fund aims to provide, whenever feasible, loans to microfinance institutions in local currency. During the reporting period, the Fund hedged loan instruments using cross-currency swaps, which allow the Fund to significantly reduce the foreign currency risk associated with assets held in foreign currencies. The sole counterparty to all Swap contracts is MFX Solutions Inc ("MFX").

SWAP contracts								
In relation to loan agreement with	Notional outstanding	Paying currency	Receiving currency	Paying Leg	Receiving Leg	Maturity Date	Counterparty	Unrealised appre. / (depre.), (in EUR)*
MiCréditoya Microfinanciera S.A.S.	1,100,000,000	COP	EUR	13.50% p.a.	7.99% p.a.	10/04/2024	MFX	14,433
Financiación Amiga S.A.S.	2,579,373,200	COP	EUR	12.00% p.a.	6.72% p.a.	10/10/2023	MFX	22,580
VisionFund Republica Dominicana SAS	31,800,000	DOP	EUR	13.50% p.a.	6.80% p.a.	10/10/2024	MFX	(107,978)
Asociación de Desarrollo Integral Cuenca del Lago de Atitlán - ADICLA	3,750,000	GTQ	EUR	12.00% p.a.	6.55% p.a.	11/04/2025	MFX	(36,597)
Asociacion de Desarrollo Integral Cuenca del Lago de Atitlán - ADICLA	5,000,000	GTQ	EUR	12.00% p.a.	6.42% p.a.	10/04/2025	MFX	(55,301)
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras	24,000,000	HNL	EUR	14.00% p.a.	5.71% p.a.	10/01/2024	MFX	(180,548)
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras	12,000,000	HNL	EUR	14.00% p.a.	7.52% P.A.	10/01/2024	MFX	(73,581)
Bimas Kenya Limited	27,500,000	KES	EUR	16.10% p.a.	6.05% p.a.	10/10/2022	MFX	5,792
Yehu Microfinance Services Limited	38,000,000	KES	EUR	17.50% p.a.	5.52% p.a.	10/01/2024	MFX	(30,328)
Limited Liability Microcredit Company "Universal Credit"	39,650,000	KGS	EUR	19.80% p.a.	7.05% p.a.	10/07/2024	MFX	(108,556)
LLP Microfinance Organization "BEREKE"	120,000,000	KZT	EUR	18.00% p.a.	6.62% p.a.	10/07/2023	MFX	(24,797)
MFO Arnur Credit LLP	1,175,000,000	KZT	EUR	21.50% p.a.	4.30% p.a.	10/10/2025	MFX	(18,940)
Microfinance Organization "Asian Credit Fund" Limited Liability Company	442,900,000	KZT	EUR	19.00% p.a.	6.60% p.a.	10/10/2024	MFX	(43,577)
ONG Vahatra	533,333,333	MGA	EUR	17.50% p.a.	6.20% p.a.	10/01/2024	MFX	(10,201)
Alternativa, Centro de Investigación social y Educación popular	337,500	PEN	EUR	11.35% p.a.	6.05% p.a.	10/01/2023	MFX	3,753
Cooperativa de Ahorro y Crédito Norandino LTDA	1,800,000	PEN	EUR	10.50% p.a.	6.68% p.a.	10/04/2024	MFX	(72,982)
Asociación Arariwa para la Promoción Técnico Cultural Andina	1,450,000	PEN	EUR	12.00% p.a.	5.13% p.a.	10/07/2024	MFX	(4,831)
Umutanguha Finance Company (UFC) PLC	578,296,000	RWF	EUR	15.46% p.a.	5.35% p.a.	10/04/2025	MFX	(50,675)
Umutanguha Finance Company (UFC) PLC	541,100,000	RWF	EUR	14.90% p.a.	5.50% p.a.	10/10/2025	MFX	(21,858)
Inkunga Finance Limited	307,000,000	RWF	EUR	16.50% p.a.	5.62% p.a.	10/07/2024	MFX	(2,850)
ACTB Savings and Loans LTD	5,100,000	SLE	EUR	21.90% p.a.	5.75% p.a.	10/06/2024	MFX	73,212
ACTB Savings and Loans LTD	5,857,000	SLE	EUR	20.30% p.a.	5.42% P.A.	10/10/2024	MFX	99,871
LLC Micro Credit Organization "OXUS"	3,200,000	TJS	EUR	21.10% p.a.	6.09% p.a.	10/01/2024	MFX	(101,674)
LLC Micro Credit Organization "OXUS"	3,200,000	TJS	EUR	21.10% p.a.	5.85% p.a.	10/04/2023	MFX	(95,129)
Closed Joint Stock Company Microcredit Deposit Organization "HUMO"	11,300,000	TJS	EUR	16.40% p.a.	4.54% p.a.	10/01/2024	MFX	(299,008)
Agence de Crédit pour l'Entreprise Privée (ACEP) Cameroun SA	1,200,000,000	XAF	EUR	6.70% p.a.	4.31% p.a.	10/10/2024	MFX	53,180
L'Association pour la Promotion de l'Épargne-Crédit à Base Communautaire - BETHESDA	1,000,000,000	XOF	EUR	9.92% p.a.	5.50% p.a.	10/04/2025	MFX	20,742
Association Assilassimé Solidarité	262,000,000	XOF	EUR	10.10% p.a.	5.60% p.a.	10/10/2025	MFX	5,434
Microloan Foundation Zambia Limited	6,140,000	ZMW	EUR	30.00% p.a.	7.98% p.a.	10/07/2023	MFX	(148,745)
<b>Total</b>								<b>(1,189,159)</b>

\*Totals may vary slightly due to rounding.

## / B Forward foreign exchange contracts

The Fund has also contracted foreign currency forwards to hedge currency exposures of the movements of the respective currencies in relation to EUR. The counterparties for trades in relation to such hedges are the Banque et Caisse d'Épargne de l'État and MFX.

Forward foreign exchange contracts								
In relation to loan with MFI	Currency purchased	Amount purchased	Currency sold	Amount sold	Maturity date	Counterparty	Unrealised appreciation / (depreciation), (in EUR)*	Remaining amortisation of notional until maturity (in EUR)*
Avanza Sólido	EUR	281,060	MXN	7,500,000	10/01/2023	BCEE	(99,699)	4,058
Avanza Sólido	EUR	42,862	MXN	1,143,750	10/01/2023	BCEE	(14,095)	N/A
Avanza Sólido	EUR	20,633	MXN	565,625	10/07/2023	BCEE	(6,578)	N/A
Avanza Sólido	EUR	265,781	MXN	7,500,000	10/01/2024	BCEE	(114,978)	18,909
Avanza Sólido	EUR	20,377	MXN	575,000	10/01/2024	BCEE	(6,382)	N/A
BEREKE	EUR	211,442	KZT	120,000,000	10/01/2023	MFX	(45,513)	9,550
Conserva	EUR	110,848	MXN	3,250,000	10/10/2025	BCEE	(54,148)	30,790
Conserva	EUR	114,546	MXN	3,250,000	10/04/2025	BCEE	(50,449)	26,818
Conserva	EUR	214,900	MXN	6,500,000	10/04/2026	BCEE	(115,090)	68,712
Conserva	EUR	98,133	MXN	2,750,000	10/04/2025	BCEE	(41,478)	23,292
Conserva	EUR	94,749	MXN	2,750,000	10/10/2025	BCEE	(44,862)	26,813
Conserva	EUR	182,124	MXN	5,500,000	10/04/2026	BCEE	(97,099)	61,277
FURUZ	EUR	79,750	TJS	1,302,950	11/04/2023	MFX	(55,607)	6,038
FURUZ	EUR	69,280	TJS	1,302,950	10/04/2024	MFX	(66,077)	16,908
KOMIDA	EUR	106,997	IDR	2,064,083,333	10/01/2023	BCEE	(30,150)	N/A
KOMIDA	EUR	98,683	IDR	2,008,597,222	10/07/2023	BCEE	(33,109)	N/A
KOMIDA	EUR	806,988	IDR	17,000,000,000	10/01/2024	BCEE	(332,494)	76,602
KOMIDA	EUR	46,224	IDR	1,009,847,222	10/07/2024	BCEE	(18,464)	N/A
KOMIDA	EUR	747,417	IDR	17,000,000,000	10/01/2025	BCEE	(392,064)	136,318
KOMIDA	EUR	96,928	IDR	2,041,888,889	10/01/2024	BCEE	(35,419)	N/A
KOMIDA	EUR	44,887	IDR	1,020,944,444	10/01/2025	BCEE	(19,800)	N/A
MFO Amur Credit LLP	EUR	87,869	KZT	50,000,000	10/01/2023	MFX	(19,196)	3,186
SOFIPA Corporation	EUR	73,254	MXN	1,927,083	10/10/2022	BCEE	(24,474)	N/A
SOFIPA Corporation	EUR	67,420	MXN	1,906,250	10/10/2023	BCEE	(20,895)	N/A
SOFIPA Corporation	EUR	69,654	MXN	1,895,833	11/04/2023	BCEE	(23,127)	N/A
SOFIPA Corporation	EUR	862,629	MXN	25,000,000	02/04/2024	BCEE	(406,566)	89,570
USD portfolio	EUR	5,813,665	USD	6,390,000	07/10/2022	BCEE	(708,407)	N/A
USD portfolio	EUR	10,322,131	USD	10,600,000	10/01/2023	BCEE	(496,955)	82,842
<b>Sub-total</b>							<b>(3,373,172)</b>	<b>681,682</b>
<b>Total</b>								<b>(2,691,490)</b>

\*Totals may vary slightly due to rounding.

## NOTE 6

### IMPAIRMENTS AND WRITE-OFFS OF MICROFINANCE LOANS

#### General approach

The Fund has a standard methodology to indicate whether there is evidence that an impairment might have occurred. Criteria include any default or cross-default, breach of covenants, deterioration of KPIs, inability to refinance, debt restructuring and local laws and regulation preventing the Fund from receiving any payments. This impairment test constitutes the first stage of the valuation process and has also been used in the context of Covid-19 and the Ukraine crisis, where several institutions have required debt restructuring. In case the test indicates that any financial instrument is impaired, the Fund then determines the amount of impairment applicable. Given that LMDF invests in financial instruments not admitted to an official stock exchange, nor dealt on another regulated market, (i.e. the Fund cannot derive the amount of impairments from observable market data) the Fund has adopted a process to calculate the impairment based on a discounted cashflow methodology estimating future cash-flows, and a country risk premium and a counterparty risk premium to determine a discount rate. It should be noted that this valuation methodology assumes that the MFI is a going concern. In high risk cases, where there are doubts over the going concern assumption, the Fund needs to prudently determine liquidation proceeds related to the financial instrument it holds. In such cases, the decision to write-off accrued interest may also be taken.

#### Impact of Covid-19

Covid-19 has had an impact on the financial health of many of our institutions and many MFIs have required support from lenders. In such cases, the Fund may still have limited provisions in place, reflecting rescheduled loan agreements, but there is nothing to indicate that the institutions will not be able to make their rescheduled commitments. In fact, the majority of COVID-related provisions have now been reversed on the basis of improvements in the operating position of an institution and confirmation of its ability to meet liabilities. The case of Uganda Microcredit Foundation Limited does, however, continue to be considered high risk following substantial challenges relating to COVID and has been valued accordingly.

Following discussions with one institution impacted by the health pandemic, ECLOF Colombia, SAS, it was decided that exiting the position with a haircut was preferable to a restructuring arrangement. This has resulted in a loss on the position of EUR 68,905 in the first half of the financial year ending March 31<sup>st</sup>, 2022.

#### Impact of the Ukraine crisis

The Fund has closely followed developments in the Ukraine and Russia. Although it has no direct exposures to both countries, it is invested in Central Asia. Positions in the region have been subject to enhanced monitoring. Two institutions, Oxus and Furuz, have requested additional support from creditors through rescheduling agreements, and these requests have been reflected in their valuations.

#### Myanmar uncertainty

The outlook for Myanmar remains highly unclear. Both institutions based in Myanmar are subject to enhanced monitoring and creditors groups are in place. Given the uncertainty, both positions are classified as high risk and valued using the liquidation scenario methodology.

#### Impact of severe droughts in Kenya

The severe drought in Kenya observed during the summer of 2022 (the worst since 1980 according to Oxfam) has affected the MFIs in the country. These institutions have been subject to enhanced monitoring, in particular Yehu Micro Fin Serv. Ltd which has reported a significant deterioration of its portfolio and has requested a waiver to extend, until end of 2022, the resolution of the related covenant breaches. The valuation of this institution reflects this request.

The table details the variation of unrealised gains and losses related to impaired financial instruments.

Outstanding impairments on microfinance loans			Provisions
Microfinance institution	Risk category	30/09/2022	31/03/2022
Alliance for Microfinance Myanmar limited	High Risk	(289,566)	(278,639)
Advans MFI Myanmar Company Limited	High Risk	(166,237)	(152,758)
Uganda Microcredit Foundation Limited	High Risk	(86,300)	(85,998)

Outstanding impairments on microfinance loans (continued)			Provisions	
Microfinance institution	Risk category	30/09/2022	31/03/2022	
LLC Micro Credit Organization "OXUS"	Medium Risk	(56,402)	(20,489)	
Microcredit Organization "FURUZ"	Medium Risk	(20,062)	(11,486)	
Yehu MicroFin Serv Ltd	Medium Risk	(15,097)	0	
Attadamoune Micro-Finance	Medium Risk	0	(19,200)	
LLP Microfinance Organization "BEREKE"	Medium Risk	0	(13,588)	
Financiera Fundeser S.A.	Medium Risk	0	(10,535)	
Adel Microcréditos S.A. de C.V.	Medium Risk	0	(1,126)	
<b>Total</b>		<b>(633,663)</b>	<b>(593,819)</b>	
<b>Net variation of impairments</b>			<b>(39,844)</b>	

Written-off microfinance loans		Realised gain/loss	
Microfinance institution	Accrued interest written-off	30/09/2022	31/03/2022
ECLOF Colombia SAS		-	(68,905)
<b>Total Written-off</b>		<b>-</b>	<b>(68,905)</b>

**Note:** A loss of EUR 131,650 was realised during the period in relation to the equity holding in the Higher Education Finance Fund LP ("HEFF"). The limited liability partnership ended on 09/11/2022.

## NOTE 7

### DETAILS OF EXPENSES, ACCRUED CHARGES AND OTHER ASSETS

As at the reporting period, accrued and payable expenses consisted of the following (in EUR):

Investment advisory fees	279,220
Investment related fees to the investment advisor	121,731
Audit fees	19,137
Wages and salaries	18,402
Custodian fees	12,101
Administration fees	9,152
Custodian fees on forward	6,808
VAT services fees	3,788
Other fees	2,464
Domiciliation fees	1,770
Representation fees	1,525
Transfer agency fees	1,480
Information technology expenses	1,100
Transaction related fees due to the administrator	215
<b>Total</b>	<b>478,894</b>

For the reporting period, other administrative costs consisted of the following (in EUR):

Post & Communication	4,871
Other costs	4,268
Membership fees	3,725
VAT services	2,948
CSSF annual fee	2,200
<b>Total</b>	<b>18,012</b>

As at the reporting period, receivables and other assets consisted in the following (in EUR):

Deposit for MFX Access	204,134
Other receivable	1,874
CSSF fees	1,100
<b>Total</b>	<b>207,107</b>



## NOTE 8

### ASSET – LIABILITY RISK MITIGATION

The Fund grants loans with maturities from 2 – 5 years to microfinance institutions. On 19<sup>th</sup> February 2016 the Fund has contracted a EUR 500,000 stand-by credit line, which is renewed every year, with the Banque et Caisse d'Epargne de l'Etat to manage the asset-liability mismatch between assets and potential quarterly liquidity requirements for share redemptions. The Board of Directors decided that the sole purpose of the credit line is to honour redemption requests which may exceed the minimum 10% liquid asset threshold the Fund's Prospectus foresees. The credit line may not be used to finance investments in microfinance institutions. The Fund's investment portfolio is pledged as a guarantee for this credit line.

## NOTE 9

### TOTAL EXPENSE RATIO

Average net asset value during the period (in EUR)	51,926,141
Total expenses for the period (in EUR)	703,466
Debit interest on bank account	(36,931)
<b>Total expenses for the TER calculations net of negative interest and VAT</b>	<b>666,535</b>
<b>Total expense ratio (annualised)</b>	<b>2.6%</b>

## NOTE 10 POSITIONS IN MONITORED JURISDICTIONS

The Fund's portfolio includes financial instruments issued by MFIs operating in Morocco, Nicaragua, Myanmar and Uganda. All these countries are currently listed as Monitored Jurisdictions by the Financial Action Task Force ("FATF"). These financial instruments are therefore considered as high-risk instruments from a money laundering and terrorist financing perspective by the Fund, with additional measures taken accordingly. All financial instruments were issued and acquired by the Fund before FATF's decision to consider these territories as Monitored Jurisdictions. Generally, the Fund does not invest in jurisdictions which are either Monitored or Subject to a Call for Action by FATF.

The below table lists the geographical exposure to such countries.

Geographical classification	Amount (in EUR)	% of total net assets
Myanmar	1,556,307	3.0%
Morocco	405,467	0.8%
Nicaragua	162,985	0.3%
Uganda	101,308	0.2%
<b>Total</b>	<b>2,226,066</b>	<b>4.3%</b>

## NOTE 11 FOREIGN EXCHANGE RATES

The principal exchange rates rounded to two decimals applied at the reporting date are as follows:

EUR	Amount	ISO Code	Denomination of currency
1 EUR =	4,495.19	COP	Colombian Peso
1 EUR =	52.44	DOP	Dominican Peso
1 EUR =	7.73	GTQ	Guatemalan Quetzal
1 EUR =	24.19	HNL	Honduras Lempira
1 EUR =	118.55	HTG	Haitian Gourde
1 EUR =	14,919.07	IDR	Indonesian Rupiah
1 EUR =	118.30	KES	Kenyan Shilling
1 EUR =	78.58	KGS	Kyrgyzstani Som
1 EUR =	467.01	KZT	Kazakhstani Tenge
1 EUR =	4,160.31	MGA	Madagascar Ariary
1 EUR =	19.70	MXN	Mexican Peso
1 EUR =	3.90	PEN	Peruvian Sol
1 EUR =	1,037.31	RWF	Rwandan Franc
1 EUR =	15.19	SLE	Sierra Leonean Leone*
1 EUR =	9.63	TJS	Tajikistani Somoni
1 EUR =	3,776.94	UGX	Ugandan Shilling
1 EUR =	0.98	USD	United States Dollar
1 EUR =	675.60	XAF	Central African CFA Franc
1 EUR =	665.01	XOF	West African CFA Franc
1 EUR =	15.47	ZMW	Zambian Kwacha

\*The SLE is the currency of Sierra Leone as of 1 July 2022 and is a redenomination of the old leone (SLL) at a rate of SLL 1000 to SLE 1.

## NOTE 12

### STAFF

The SICAV employed three full-time staff and one part-time staff member at the reporting period ended on 30 September 2022. The Fund's Board of Directors adopted a Remuneration Policy for the fixed and variable remuneration of the Fund's staff, and which is available for public consultation on the website [www.lmdf.lu](http://www.lmdf.lu) or at the registered office of the Fund.

During the reporting period, the Board of Directors decided on a target time allocation of 80% of the working time of staff to the Luxembourg Microfinance and Development Fund.

The table only considers the bonus allocated to the Luxembourg Microfinance and Development Fund. In accordance with CSSF Circular 10/437 some employees are considered as key employees. Key employees receive at least 50% of their bonus in shares blocked during a three-year vesting period. No bonuses were paid in the year 2019/20 in view of the Covid-19 situation and the challenges faced by our partner MFIs.

The share-based bonus relates to Class B Shares only.

	Performance period			
	2018/19	2019/20	2020/21	2021/22
Share-based bonus (number of shares)	205.347	-	499.810	371.174
Shares blocked until	30/06/2022	-	30/06/2024	30/06/2025
Cash-based bonus (in EUR)	7,397	-	2,391	7,467

## NOTE 13

### COMMITMENTS

#### / A Commitments of shareholders to subscribe shares

On April 1, 2022, the Fund received a subscription of EUR 5 million in Class B shares under an agreement with the European Investment Bank.

#### / B Commitments of the Fund to invest

As at the reporting date, the Fund has no outstanding commitments to invest in financial instruments.

## NOTE 14

### RELATED PARTY TRANSACTIONS

The Fund considers each shareholder controlling 20% or more of total voting rights or any entity forming part of the key management of the Fund, including its directors, as a related party. During the reporting year, the Fund conducted the following material transactions with related parties, excluding subscription of shares and commitments to subscribe for shares in the future:

- The Fund has concluded an investment advisory agreement with ADA with the remuneration structure disclosed in Note 3.
- The Fund also sub-leases an office and certain services in the "Maison de la Microfinance", a building leased by ADA at 39, rue Glesener, Luxembourg. The Board of Directors of the Fund estimate the rent to correspond to a rent agreed in an arm's length transaction with an unrelated party.



**NOTE 15**  
**SHARE TRANSACTIONS OF DIRECTORS**

Between the 1<sup>st</sup> April 2022 and 30<sup>th</sup> September 2022, a share subscription in Class C with one director for an amount of EUR 4,000 was carried out.

**NOTE 16**  
**SUBSEQUENT EVENTS BETWEEN THE PERIOD END UNTIL 30 NOVEMBER 2022**

The Board of Directors resolved in their meeting on 21<sup>st</sup> October 2022 to appoint Louis de Muyser to the LMDF Investment Committee to replace Paul Weber, both from the Luxembourg Ministry of Foreign and European Affairs.

The Board of Directors approved the filing to the CSSF of a change in the Sub-Fund's Prospectus to comply with the Sustainable Finance Disclosure Regulation, notably the inclusion of mandatory pre-contractual disclosures. The filing was made in line with the CSSF fast track procedure filing deadline 31<sup>st</sup> October 2022.

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